

BLOM BANK SAL

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL

Adverse Opinion

We have audited the consolidated financial statements of Blom Bank SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, because of the significance and pervasiveness of matters discussed in the "*Basis for Adverse Opinion*" section of our report, the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Adverse Opinion

1. As disclosed in Note 2.1 to the consolidated financial statements, the Group did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") to its operations in the Republic of Lebanon for the periods in which that economy was hyperinflationary, including the year ended 31 December 2025. The Group also did not reflect the effects of hyperinflation in the forecasts and discount rates used in accounting estimates. This is a material and pervasive departure from IFRS Accounting Standards. Had the Group applied IAS 29, the amounts and related disclosures in the consolidated financial statements, including the comparative information, would have been materially and pervasively different. Our opinion on the consolidated financial statements for the year ended 31 December 2024 was modified in respect of the same matter.
2. As disclosed in Note 2.6 to the consolidated financial statements, the Group recorded adjustments to the carrying amounts of tangible and intangible assets of entities operating in Lebanon based on Law 330 dated 4 December 2024 and Ministry of Finance Decision 715 dated 1 August 2025. These adjustments included remeasurement of land and buildings in Lebanon, assets obtained in settlement of debt, and other tangible and intangible assets, and were applied retrospectively, with corresponding figures restated and a third statement of financial position presented as at 1 January 2024.
 - Land and buildings in Lebanon, included in property and equipment and assets obtained in settlement of debt, carried at LL 20,415,434 million and LL 1,069,829 million respectively in the consolidated statement of financial position as at 31 December 2025 (31 December 2024: LL 20,799,832 million and LL 1,265,582 million respectively; 1 January 2024: LL 3,383,129 million for land and buildings in Lebanon included in property and equipment, those included in assets obtained in settlement of debt were not remeasured) were remeasured based on a valuation performed by an accredited independent external valuer in US Dollars and then translated into Lebanese Pounds at LL 89,500, with a corresponding adjustment to accumulated depreciation;



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Basis for Adverse Opinion (continued)

- Tangible assets other than land and buildings and intangible assets of entities operating in Lebanon carried at LL 3,326,358 million and LL 56,864 million respectively in the consolidated statement of financial position as at 31 December 2025 (31 December 2024: LL 3,571,930 million and LL 102,608 million respectively; 1 January 2024: LL 697,969 million and LL nil million respectively) were adjusted by retranslating historical cost and accumulated depreciation at LL 89,500 to the US Dollar; and
- The adjustments were applied retrospectively, with corresponding figures as at and for the year ended 31 December 2024 restated and, a third statement of financial position presented as at 1 January 2024.

In our opinion, these accounting adjustments constitute a material and pervasive departure from IAS 16 – Property, Plant and Equipment, IAS 38 – Intangible Assets, IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, and IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Had these matters been accounted for in accordance with IFRS Accounting Standards, including the application of IAS 29 where relevant, amounts recognised in respect of property and equipment, assets obtained in settlement of debt, intangible assets, deferred tax, equity, profit or loss, other comprehensive income, comparative information and related disclosures would have been materially and pervasively different.

3. As disclosed in Note 1 to the consolidated financial statements, the corresponding figures for the year ended 31 December 2024 have not been restated to reflect the effect of using exchange rates compliant with IAS 21 – The Effects of Changes in Foreign Exchange Rates for the translation of monetary assets and liabilities denominated in foreign currencies, the assets and liabilities of foreign operations, and foreign currency transactions during prior periods. As further disclosed in Note 1, from January 2024 the official published exchange rate was set at LL 89,500 to the US Dollar, and the Group recorded the effect of that change in the consolidated income statement for the year ended 31 December 2024 under “Net (loss) gain from financial assets at fair value through profit or loss” and in the consolidated statement of comprehensive income under “Exchange differences on translation of foreign operations”. The Group did not restate comparative amounts, which is a departure from IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”). Accordingly, the corresponding figures remain affected by the prior-year departures from IAS 21 and IAS 8, and our opinion on the current year consolidated financial statements is modified because of the effects of this unresolved matter on the comparability of the current year figures and the corresponding figures.

With respect to foreign currencies subject to de-facto capital controls, we were unable to satisfy ourselves whether this exchange rate is that at which the future cash flows could have been settled if those cash flows had occurred at the measurement date. Consequently, we were unable to determine whether any adjustments should have been made to the consolidated financial statements (including comparative information). Our opinion for the year ended 31 December 2024 was modified for same reasons.

4. As at 31 December 2025, the Group holds balances with the Central Bank of Lebanon amounting to LL 1,071,141,158 million (2024: LL 1,141,245,695 million), Certificate of deposits under financial assets at amortized cost totaling LL 34,056,388 million (2024: LL 34,047,961 million), a portfolio of loans amounting to LL 10,617,509 million (2024: LL 3,587,133 million) and other balances with banks amounting to LL 1,359,756 million (2024: LL 402,084 million), concentrated in Lebanon which represent 69% of the Group's total assets as at 31 December 2025 (2024: 72%).



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Basis for Adverse Opinion (continued)

As disclosed in Note 1, the consolidated financial statements do not include adjustments required by IFRS 9 – Financial Instruments to the carrying amounts of the above assets and to many related accounts and disclosures that would result from resolution of the uncertainties described in Note 1.

Furthermore, the Group has engaged in several transactions involving modification of contractual cash flows, renegotiations, exchanges and extinguishment of financial assets and financial liabilities. The Group has not applied the requirements of IFRS 9 and assessed whether these transactions should be accounted for as modifications resulting in derecognition or no derecognition, nor is the Group calculating and accounting for the impact of such modifications, which constitutes a departure from the requirements of IFRS 9. The effects of these departures on the carrying amount of these financial instruments and related income statement accounts have not been determined. Our opinion for the year ended 31 December 2024 was modified for the same reasons above.

Also, as disclosed in Note 40, management did not produce the information about the fair value of these assets and other financial instruments concentrated in Lebanon and these consolidated financial statements consequently do not include the fair value disclosures required by IFRS 13 – Fair Value Measurement.

Had such adjustments and disclosures been determined and made, many elements and related disclosures in the accompanying consolidated financial statements for the years ended 31 December 2025 and 31 December 2024 would have been materially different. The effects of the resolution of these uncertainties on the consolidated financial statements and disclosures have not been determined. Our opinion for the year ended 31 December 2024 was modified for same reasons explained above.

In addition, the Group holds equity instruments and funds in entities operating in Lebanon amounting to LL 7,144,252 million and LL 1,148,429 million respectively as at 31 December 2025, held at fair value through profit or loss (2024: LL 10,071,482 million and LL 1,621,182 million respectively). The fair value of these instruments is measured based on a mix of observable and unobservable data holding a high level of uncertainty due to lack of reliable market evidence in light of the uncertainties described in Note 1. As such, it is not possible to determine the future effects that the economic crisis described in Note 1 would have on the carrying amounts of these assets. Consequently, we were unable to determine whether any adjustments should have been recorded on these amounts. Our opinion for the year ended 31 December 2024 was modified for same reasons.

5. As disclosed in Note 2.1 to the consolidated financial statements, the Group did not apply the requirements of IFRS 17 – Insurance Contracts (“IFRS 17”) which is effective from 1 January 2023. The consolidated financial statements continue to be prepared under IFRS 4 – Insurance Contracts (“IFRS 4”). Had the Group applied the requirements of IFRS 17, many elements and disclosures in the accompanying consolidated financial statements, including the comparative financial information as at 31 December 2025, would have been materially different. The effects on the consolidated financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2024 was modified for the same reasons.
6. As at 31 December 2025, provision for retirement benefits obligation of employees is carried in the consolidated statement of financial position at LL 4,089,837 million (2024: LL 3,844,325 million). The Group did not estimate the provision for retirement benefits obligations in accordance with IAS 19 - Employee Benefits. Consequently, we were unable to determine whether any adjustments to these amounts, and related income statements accounts were necessary. Our opinion for the year ended 31 December 2024 was also modified for the same reasons.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Basis for Adverse Opinion (continued)

7. The events and conditions and practices that would not qualify as normal course of business in a non-crisis environment described in Note 1 and the matters described in paragraphs 1, 2, 3 and 4 above affect the financial position, liquidity, solvency and profitability of the Group, and expose the Group to increased litigation and regulatory risks. Significant uncertainty exists in relation to the outcome of the litigations, claims and investigations raised against the Group and the negative impact that they may have on the Group's financial position as disclosed in Notes 1 and 49. These events and conditions may cast significant doubt on the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Group's ability to continue as a going concern. Our opinion for the year ended 31 December 2024 was modified for same reasons.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2025. Except for the matters described in the "*Basis for Adverse Opinion*" section of our report, we have determined that there are no other key audit matters to communicate in our report.

Other Information Included in the Group's 2025 Annual Report

Other information consists of the information included in the Group's 2025 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2025 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.



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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)**

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young
Ernst & Young

[Signature]
BDO, Semaan, Gholam & Co.

29 June 2026
Beirut, Lebanon

BLOM Bank SAL

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	<i>Notes</i>	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i> <i>Restated</i> <i>(Note 2.6)</i>
CONTINUING OPERATIONS			
Interest and similar income	6	31,435,563	34,538,096
Interest and similar expense	7	(6,781,770)	(7,724,581)
Net interest income		24,653,793	26,813,515
Fee and commission income		15,334,330	12,654,005
Fee and commission expense		(3,257,469)	(2,976,927)
Net fee and commission income	8	12,076,861	9,677,078
Net (loss) gain from financial assets at fair value through profit or loss	9	(56,725,945)	24,315,798
Net loss from derecognition of financial assets at amortized cost		(321,399)	-
Non-interest revenues from financial assets at fair value through other comprehensive income	22	-	17,396
Other operating income	10	776,582	1,115,188
Total operating (loss) income		(19,540,108)	61,938,975
Net recovery on financial assets	11	23,367,837	5,125,916
Discounts on loans	20	(52,749)	(249,453)
Net operating income		3,774,980	66,815,438
Personnel expenses	12	(11,374,294)	(11,320,661)
Other operating expenses	13	(6,766,744)	(5,973,877)
Depreciation of property, equipment and right-of-use assets	23	(1,450,895)	(621,766)
Amortization of intangible assets	24	(136,902)	(68,935)
Total operating expenses		(19,728,835)	(17,985,239)
Operating (loss) profit		(15,953,855)	48,830,199
Net gain (loss) on disposal of property and equipment		7,968	(189,079)
(Loss) profit before tax		(15,945,887)	48,641,120
Income tax expense	14	(2,468,866)	(4,807,044)
(Loss) profit for the year from continuing operations		(18,414,753)	43,834,076
(Loss) profit for the year		(18,414,753)	43,834,076
Attributable to:			
Equity holders of the parent		(19,369,362)	43,203,302
Non-controlling interests		954,609	630,774
		(18,414,753)	43,834,076
Basic and diluted earnings per share attributable to equity holders of the parent for the year		LL	LL
Basic and diluted (loss) earnings per share	15	(90,206)	201,204

The accompanying notes 1 to 52 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i> <i>Restated</i> <i>(Note 2.6)</i>
(Loss) profit for the year	(18,414,753)	43,834,076
Other comprehensive income that will be reclassified to the consolidated income statement in subsequent periods:		
<i>Foreign currency translation reserve</i>		
Exchange differences on translation of foreign operations	4,847,502	52,833,859
Total other comprehensive income that will be reclassified to the consolidated income statement in subsequent periods	4,847,502	52,833,859
Other comprehensive income that will not be reclassified to the consolidated income statement in subsequent periods:		
Net unrealized (loss) gain from financial assets at fair value through other comprehensive income	(147,150)	186,170
<i>Revaluation of land and buildings</i>		
Revaluation gain (notes 23, 24 & 25)	723,311	23,709,129
Total other comprehensive income that will not be reclassified to the consolidated income statement in subsequent periods	576,161	23,895,299
Other comprehensive income for the year, net of tax	5,423,663	76,729,158
Total comprehensive (loss) income for the year, net of tax	(12,991,090)	120,563,234
Attributable to:		
Equity holders of the parent	(13,780,737)	116,216,461
Non-controlling interests	789,647	4,346,773
	(12,991,090)	120,563,234

The accompanying notes 1 to 52 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 LL million	2024 LL million Restated Note 2.6	1 January 2024 LL million Restated Note 2.6
Assets				
Cash and balances with central banks	16	1,144,389,726	1,230,422,806	211,610,246
Due from banks and financial institutions	17	150,914,331	122,988,762	19,235,231
Derivative financial instruments	18	118,251	93,587	12,079
Financial assets at fair value through profit or loss	19	55,492,687	46,536,985	5,587,935
Net loans and advances to customers at amortized cost	20	97,154,759	85,460,151	15,030,782
Net loans and advances to related parties at amortized cost	43	555,807	298,469	42,227
Debtors by acceptances	31	561,609	517,443	44,049
Financial assets at amortized cost	21	117,584,861	104,399,045	22,908,059
Financial assets at fair value through other comprehensive income	22	766,926	838,357	542,410
Property, equipment and right-of-use assets	23	35,620,643	35,198,988	5,900,324
Intangible assets	24	236,723	229,248	15,744
Assets obtained in settlements of debt	25	6,550,659	6,394,605	172,190
Other assets	26	6,607,541	6,358,200	900,907
Goodwill	27	3,133	3,133	5,132
Total assets		1,616,557,656	1,639,739,779	282,007,315
Liabilities and equity				
Liabilities				
Due to central banks	28	5,465,285	5,336,065	2,192,654
Due to banks and financial institutions	29	8,845,184	10,002,051	1,703,057
Derivative financial instruments	18	126,690	73,187	18,535
Customers' deposits at amortized cost	30	1,439,590,184	1,432,491,560	250,071,725
Deposits from related parties at amortized cost	43	1,837,740	2,238,477	580,538
Engagements by acceptances	31	562,282	518,258	44,116
Other liabilities	32	27,132,620	32,351,800	5,796,613
Provisions for risks and charges	33	6,934,127	16,413,435	1,713,620
Loans from banks and financial institutions		-	-	38,835
Total liabilities		1,490,494,112	1,499,424,833	262,159,693
Equity				
Share capital – common shares	34	322,500	322,500	322,500
Share premium on common shares	34	374,059	374,059	374,059
Non-distributable reserves	35	10,058,715	3,020,722	2,026,530
Distributable reserves		5,409,862	1,342,428	741,457
Treasury shares	36	(4,434)	(4,434)	(4,434)
Retained earnings		35,329,148	2,626,418	1,214,562
Revaluation reserves		26,352,101	27,075,571	3,520,128
Change in fair value of financial assets at fair value through other comprehensive income	37	(935)	187,423	31,231
Foreign currency translation reserve		61,764,673	56,949,247	7,680,625
Result of the year		(19,369,362)	43,203,302	3,148,525
Equity attributable to equity holders of the parent		120,236,327	135,097,236	19,055,183
Non-controlling interests		5,827,217	5,217,710	792,439
Total equity		126,063,544	140,314,946	19,847,622
Total liabilities and equity		1,616,557,656	1,639,739,779	282,007,315

The accompanying notes 1 to 52 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	<i>Share capital- common shares LL million</i>	<i>Share premium on common shares LL million</i>	<i>Non- distributable reserves LL million</i>	<i>Distributable reserves LL million</i>	<i>Treasury shares LL million</i>	<i>Retained earnings LL million</i>	<i>Revaluation reserves LL million</i>	<i>Change in fair value of financial assets at fair value through other comprehensive income LL million</i>	<i>Foreign currency translation reserve LL million</i>	<i>Result of the year LL million</i>	<i>Total LL million</i>	<i>Non-controlling interests LL million</i>	<i>Total equity LL million</i>
Balance at 1 January 2025	322,500	374,059	3,020,722	1,342,428	(4,434)	2,626,418	27,075,571	187,423	56,949,247	43,203,302	135,097,236	5,217,710	140,314,946
Loss for the year	-	-	-	-	-	-	-	-	-	(19,369,362)	(19,369,362)	954,609	(18,414,753)
Other comprehensive income	-	-	-	-	-	-	722,752	50,447	4,815,426	-	5,588,625	(164,962)	5,423,663
Total comprehensive loss	-	-	-	-	-	-	722,752	50,447	4,815,426	(19,369,362)	(13,780,737)	789,647	(12,991,090)
Appropriation of 2024 profits	-	-	7,742,943	4,169,647	-	31,290,712	-	-	-	(43,203,302)	-	-	-
Transfers (note 35)	-	-	(704,950)	(102,213)	-	807,163	-	-	-	-	-	-	-
Transfer from revaluation reserves	-	-	-	-	-	1,157,063	(1,157,063)	-	-	-	-	-	-
Dividends distributions from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(376,728)	(376,728)
Transfer on disposal of revalued assets obtained in settlement of debt	-	-	-	-	-	-	(289,159)	-	-	-	(289,159)	-	(289,159)
Transfer to retained earnings on disposal of financial assets at fair value through OCI	-	-	-	-	-	238,805	-	(238,805)	-	-	-	-	-
Other movements	-	-	-	-	-	(791,013)	-	-	-	-	(791,013)	196,588	(594,425)
Balance at 31 December 2025	322,500	374,059	10,058,715	5,409,862	(4,434)	35,329,148	26,352,101	(935)	61,764,673	(19,369,362)	120,236,327	5,827,217	126,063,544
Balance at 1 January 204	322,500	374,059	2,026,530	741,457	(4,434)	1,214,562	14,727	31,231	7,680,625	3,147,318	15,548,575	792,439	16,341,014
Adjustments related to prior years (Note 2.6)	-	-	-	-	-	-	3,505,401	-	-	1,207	3,506,608	-	3,506,608
Balance at 1 January 2024 – restated	322,500	374,059	2,026,530	741,457	(4,434)	1,214,562	3,520,128	31,231	7,680,625	3,148,525	19,055,183	792,439	19,847,622
Profit for the year	-	-	-	-	-	-	-	-	-	43,203,302	43,203,302	630,774	43,834,076
Other comprehensive income	-	-	-	-	-	-	23,555,443	80,426	49,377,290	-	73,013,159	3,715,999	76,729,158
Total comprehensive income	-	-	-	-	-	-	23,555,443	80,426	49,377,290	43,203,302	116,216,461	4,346,773	120,563,234
Appropriation of 2022 profits	-	-	450,020	644,631	-	2,053,874	-	-	-	(3,148,525)	-	-	-
Transfers (note 35)	-	-	545,521	-	-	(545,521)	-	-	-	-	-	-	-
Dividends distributions from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(54,813)	(54,813)
Sale of a subsidiary	-	-	-	-	-	(51,686)	-	-	-	-	(51,686)	-	(51,686)
Other movements	-	-	(1,349)	(43,660)	-	(44,811)	-	75,766	(108,668)	-	(122,722)	133,311	10,589
Balance at 31 December 2024	322,500	374,059	3,020,722	1,342,428	(4,434)	2,626,418	27,075,571	187,423	56,949,247	43,203,302	135,097,236	5,217,710	140,314,946

The accompanying notes 1 to 52 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 LL million	2024 LL million Restated
OPERATING ACTIVITIES			
(Loss) profit for the year before income tax from continuing operations		(15,945,887)	48,641,120
Adjustments for non-cash items:			
Depreciation of property, equipment and right-of-use assets	23	1,450,894	621,766
Amortization of intangible assets	24	136,902	68,935
Gain on disposal of property and equipment		(7,968)	(59,057)
Interest on lease liabilities		14,527	16,578
Provision for risks and charges		1,483,793	1,650,408
Net recovery on financial assets	11	(23,367,837)	(5,125,916)
Provision for impairment of non-current assets held for sale		13,863	11,352
(Write back of provision) provision for foreign currency fluctuation		-	10,802,500
Gain on disposal of assets obtained in settlement of debt		(256,373)	-
Net loss from derecognition of financial assets at amortized cost		321,399	-
Unrealized gain from revaluation of financial assets at fair value through profit or loss	9	(1,250,004)	(3,584,337)
(Gain) loss from sale of debt instruments and other financial assets at fair value through profit or loss		(795,099)	222,648
Loss (profit) from sale of a subsidiary		-	615,515
Difference of exchange		57,470,359	(33,221,975)
		<u>19,268,569</u>	<u>20,659,537</u>
Changes in operating assets and liabilities:			
Balances with central banks		(4,536,302)	120,928,822
Due from banks and financial institutions		9,586,338	(9,331,347)
Derivative financial instruments – debit		(13,002)	(27,138)
Financial assets at fair value through profit or loss		(6,910,232)	(9,473,614)
Net loans and advances to customers at amortized cost		(3,995,475)	2,867,547
Net loans and advances to related parties at amortized cost		(239,481)	(52,822)
Debtors by acceptances		(255)	411
Other assets		(64,524)	(2,406,737)
Due to banks and financial institutions		4,091	(3,365)
Derivative financial instruments – credit		44,734	(26,359)
Customers' deposits at amortized cost		(17,299,072)	(13,747,293)
Deposits from related parties at amortized cost		(495,141)	(1,213,455)
Other liabilities		(3,373,201)	13,645,369
Provisions for risks and charges		(676,314)	(129,140)
Loans from banks and financial institutions		-	(38,835)
Cash from operations		<u>(8,699,267)</u>	<u>121,651,581</u>
Taxes paid		(4,413,792)	(1,597,240)
Provisions for risks and charges paid		(698,514)	(72,108)
Net cash (used in) from operating activities		<u>(13,811,573)</u>	<u>119,982,233</u>
INVESTING ACTIVITIES			
Financial assets at amortized cost		(8,346,057)	26,251,934
Financial assets at fair value through other comprehensive income		(57,624)	2,584,193
Assets obtained in settlement of debt		(665,850)	(3,662,932)
Purchase of property and equipment	23	(664,796)	(1,759,063)
Purchase of intangible assets	24	(137,198)	211,271
Transfer of property and equipment and intangible assets		-	(140)
Cash proceeds from the sale of property and equipment and intangible assets		59,649	1,156,592
Proceeds from disposal of assets obtained in settlement of debt		819,828	-
Net cash (used in) from investing activities		<u>(8,992,048)</u>	<u>24,781,855</u>
FINANCING ACTIVITIES			
Dividends paid		-	(3,628)
Dividends paid to non-controlling interests in a subsidiary company		(376,728)	(54,813)
Lease liability payments		(101,776)	-
Net cash used in financing activities		<u>(478,504)</u>	<u>(58,441)</u>
Net foreign exchange difference in respect of cash and cash equivalents		<u>21,053,676</u>	<u>407,527,028</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(2,228,449)</u>	<u>552,232,675</u>
Cash and cash equivalents at 1 January		639,192,598	86,959,923
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	38	<u>636,964,149</u>	<u>639,192,598</u>
Operational cash flows from interest and dividends			
Interest paid		6,813,431	7,637,658
Interest received		31,760,750	32,561,200
Dividends received		131,240	71,327

The accompanying notes 1 to 52 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

BLOM Bank SAL (the "Bank"), a Lebanese joint stock company, was incorporated in 1951 and registered under No 2464 at the commercial registry of Beirut and under No 14 on the banks' list published by the Central Bank of Lebanon. The Bank's head office is located in Verdun, Rashid Karameh Street, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange and Luxembourg Stock Exchange. On 23 October 2020, the Bank announced that it has applied for the withdrawal of its Global Depository Shares (GDS) from trading on the EUROMTF and the Official List of Luxembourg Stock Exchange with effect from 24 November 2020. Moreover, the GDSs and its underlying shares will continue to trade on the Beirut Stock Exchange. Noting that the Global Depository receipt programme (GDR) will continue to operate and all GDSs will remain outstanding. During 2022, the Central Bank of Lebanon asked from the Group to close its branch in Cyprus within six months. In its meeting held on 12 April 2022, the Board of Directors decided to close its branch operations in Cyprus.

The Bank provides all banking activities (commercial, investing and private), through 75 branches in Lebanon, and 17 branches in the Hashemite Kingdom of Jordan.

The Bank has closed its branches in Iraq following the Board of Directors decision on 15 July 2020. The Bank obtained the approval of the Central Bank of Iraq on 24 September 2020 and that of the Central Bank of Lebanon on 27 November 2020. The branch was fully liquidated during 2024.

The Bank, together with its affiliated banks and subsidiaries (collectively the "Group"), provides a wide range of retail, commercial, investment and private banking activities, insurance and brokerage services through its headquarter as well as its branches in Lebanon and its presence in Europe and the Middle East and North Africa. Further information on the Group's structure is provided in note 3 to the consolidated financial statements.

The consolidated financial statements were authorized for issue in accordance with the Board of Directors' resolution on 2 June 2026.

1.1 Macroeconomic environment

The Group's operations are mostly in Lebanon that has been witnessing, since 17 October 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis, as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on 7 March 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its US Dollar-denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed de-facto capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption of the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses downsized, closed or bankrupted, and unemployment and poverty rose fast and have reached unprecedented levels.

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the peg whereby the price to access foreign currencies increased constantly, deviating significantly from the peg of LBP 1,507.5 to the US Dollar. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of Lebanese citizens, driving a currency crisis, high inflation and rise in the consumer price index. In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar.

As a result of the de-facto capital controls, the multitude of exchange rates, the hyperinflation, and the potential repercussions of government reform measures on (i) the banks operating in Lebanon, and (ii) the Lebanese people's net worth, their local businesses and their local bank accounts, the Lebanese market saw the need to differentiate between onshore assets and offshore assets, foreign currency bank accounts that are subject to de-facto capital controls and those that are not subject to capital controls, onshore liabilities and offshore liabilities. Hence the new terms in the Lebanese market, such as "local Dollars" to designate local US Dollars bank accounts that are subject to de-facto capital controls, and "fresh funds/accounts" to designate foreign currency cash and foreign currency bank accounts which are free from capital controls (as they are sourced from foreign currency cash and/or from incoming transfers from abroad).

1 CORPORATE INFORMATION (continued)

1.1 Macroeconomic environment (continued)

International Monetary Fund

The Lebanese authorities and the IMF team have reached a staff-level agreement (SLA) on comprehensive economic policies that could be supported by a 46-month Extended Fund Arrangement (EFF) with requested access of SDR 2,173.9 million (equivalent to about USD 3 billion). This agreement is subject to approval by IMF Management and the Executive Board, after the timely implementation of all prior actions and confirmation of international partners' financial support. The Lebanese Government has renewed negotiations with the IMF post Cabinet formation this year to reach a new SLA with prior actions to be undertaken by Lebanon before a Board agreement could be reached. In a statement in September, the IMF said that the authorities have made progress in developing a strategy to address the severe banking sector challenges. The recent approval of the Bank Resolution Law reflects the dedicated efforts of all stakeholders, though the legislation needs further refinement. The IMF team has suggested amendments to fully align it with international standards and ensure the effectiveness of bank restructuring processes. The IMF believes the authorities should continue working to develop the strategy to recognize and allocate losses and restore the viability of the banking sector consistent with international standards, protection of small depositors, and sustainability of public debt.

Banking Secrecy Bill

Lebanese MPs approved on 24 April 2025 a long-awaited bill lifting banking secrecy, a key reform on which financial assistance from the International Monetary Fund (IMF) is dependent. Parliament specified that the new banking secrecy law applies retroactively for 10 years, covering the start of the economic crisis. Lebanon has long-standing and strict rules on the confidentiality of bank accounts, which critics say leaves the country vulnerable to money laundering. The amendments authorize "banking supervisory and regulatory bodies to request access to all information" without providing any details and. These bodies will be able to access information such as customer names and deposit details, and investigate any suspicious activities.

Amendments to the Code of Money and Credit:

The Lebanese Parliament has recently passed amendments to Decree No.13513 named The Code of Money and Credit. The amendments targeted Section 2-7 of the law, which tackles money creation and the values of issued currency. Within the amendment, the Lebanese Parliament has afforded Banque du Liban (BDL) the right to issue two new banknotes with a value of LBP 500,000 and LBP 1,000,000 while also aiming to preserve the current value of currency in circulation. This move comes amid the devaluation of the Lebanese currency by more than 98% since the onset of the crisis in 2019.

Banking Restructuring

On 12 April 2025, the Cabinet approved the draft banking reform law which is yet to be approved by the Parliament. Its implementation is contingent on the passage of the financial gap law, highlighting the interdependence of the three core reforms: lifting banking secrecy, restructuring banks, and closing the financial gap. It was ratified by Parliament on 31 July 2025.

The law introduces a full legal framework for intervening in the operations of failing banks, with the aim of protecting depositors, safeguarding financial stability, and ensuring the continuity of essential banking services. As a starting point, banks are required to meet minimum capital and liquidity requirements that will be specified in the financial gap law. The law clearly outlines the conditions under which a bank is deemed to be failing or likely to fail, and introduces several restructuring tools such as recapitalization, forced mergers, and asset separation.

At the heart of the draft law is the creation of a Bank Restructuring Authority, a specialized independent body tasked with overseeing the resolution process of distressed financial institutions. This authority would have sweeping powers, including the ability to initiate bank restructuring, appoint independent valuers, enforce asset transfers, and if necessary, trigger liquidation procedures.

On 22 April 2026, the Ministry of Finance submitted to the Council of Ministers a proposal to withdraw the draft law previously referred to Parliament under Decree No. 1992 dated 4 December 2025. Said draft law aimed at introducing amendments to selected provisions of Law No. 23 of 14 August 2025 concerning the reform and restructuring of banks in Lebanon. The proposal came in response to the Constitutional Council's decision issued on 3 October 2025, as well as to observations and recommendations communicated by the International Monetary Fund (IMF). Concurrently, the Ministry requested the approval of a newly revised draft law amending Law No. 23/2025. Consequently, on 30 April 2026, the Council of Ministers endorsed a decree formally withdrawing the earlier draft law submitted to Parliament pursuant to Decree No. 1992. It also approved a revised amendment bill reflecting several remarks raised by both the Constitutional Council and the IMF, together with a draft decree providing for the transmission of the updated text to Parliament.

1 CORPORATE INFORMATION (continued)

1.1 Macroeconomic environment (continued)

Banking Restructuring (continued)

The Ministry of Finance further stated that on 5 September 2025, a group of Members of Parliament filed an appeal before the Constitutional Council challenging a number of provisions contained in the law. Following its review of the appeal, the Constitutional Council rendered its decision in October 2025. The Ministry also noted that the IMF viewed Law No. 23, enacted by the Lebanese Parliament on 31 July 2025, as falling short of alignment with internationally recognized standards and practices. In the IMF's assessment, the law contains several structural weaknesses, notably with respect to the independence of the Resolution Authority, the autonomy and reliability of valuation mechanisms, the enforceability of resolution measures, and the legal protections afforded to entities responsible for implementing such measures. Additional technical shortcomings were also identified, which, according to the IMF, collectively undermine the legal robustness and operational efficiency of the framework. Law No. 23, promulgated on 31 July 2025, establishes the legal framework governing the restructuring and resolution of the Lebanese banking sector and comprises 37 articles addressing the mechanisms for restructuring and/or liquidating banks.

Financial Gap Law in preparation

The banking restructuring challenge revolves around whether the State would be able to implement a gap law within the upcoming months, prior to the parliamentary elections in May 2026, after which the Cabinet will turn into Caretaker Cabinet until the formation of a new Cabinet. The Gap Law will overview the treatment of Lollar and Dollar deposits in the banking sector. Such a gap law is the most important one to normalize banking activity and move out of troubled waters.

It focuses on:

- Defining the financial gap,
- Identifying irregular transactions/assets,
- Determining how losses are absorbed,
- Setting rules for deposit settlement,
- And creating a Deposit Recovery Fund backed by Asset Backed Securities (ABS)

On 27 December 2025, the Cabinet approved the draft Financial Regularisation and Deposit-Recovery law and transmitted it to Parliament.

It remains unclear how the events mentioned above will evolve, and the Group continues to monitor the situation closely. Any and all such events mentioned above will add up to the already material adverse prospects on the Group's business, financial condition, results of operations, prospects, liquidity and capital position.

1.2 Regulatory environment

During 2020 and up to the date of authorisation of issue of these financial statements, the Central Bank of Lebanon has issued several circulars to address the situations, mainly:

- Basic Circular 150 issued on 9 April 2020 and exempting banks from placing mandatory reserves with the Central Bank of Lebanon in relation to funds transferred from abroad or cash deposits in foreign currency received after 9 April 2020, subject to preserving and guaranteeing the liberty of the depositors in determining the use of these funds and benefiting from all kinds of banking services (transfers abroad, international credit card limits, foreign currency cash withdrawals...). Banks are requested to maintain at all times an amount equivalent to those funds in the form of (i) cash held in vaults at the Bank's premises, (ii) offshore accounts held with correspondents and (iii) "cash money" accounts held with BdL as per Basic Circular 165 definition. Intermediate Circular 715 issued on 21 November 2024 expanded the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above on the condition they are held at fair value.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circular 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, (later on increased again to 75% by Intermediate Circular 649), while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively).
 - Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively.
 - Allowing banks not to automatically downgrade loan classification or staging for borrowers that were negatively affected by the COVID-19 pandemic, showing past due and unpaid for the period from 1 February 2020 to 31 December 2020. These borrowers must be identified as either still operating on a going concern basis or not. In case the borrower is still operating as a going concern, the Bank may reschedule the loan. In exceptional cases when the borrower ceases to operate as a going concern following the impact of the COVID-19 pandemic, the Bank must immediately downgrade the loan classification and staging to Stage 3 (default).
 - Requesting from banks to finalise the assessment of the future financial position of their customers by 31 December 2020, and to estimate expected credit losses based on this assessment and recognise the financial impact in the statement of income for the year ended 31 December 2020.
 - Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020 (Years 2021, 2022, 2023, 2024 and 2025 were subsequently added by way of Intermediate Circulars 616, 659, 676, 726 and 741 respectively).
 - Requesting from banks to increase their own funds (equity) by an amount equal to 20% of their common equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments that meet the criteria for inclusion as regulatory capital, except retained earnings and gain from revaluation of fixed assets. The Central Bank of Lebanon's Central Council may exceptionally approve for a bank to complete 50% of the 20% required capital increase through the transfer of real estate properties from the shareholders to the concerned bank. However, these real estate properties must be liquidated in a period of 5 years following the operation.
 - Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain. On 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions. Intermediate Circular 685 issued on 28 December 2023 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%. Intermediate Circular 741 issued on 10 September allows banks to annually revalue real estate assets owned directly or through real estate companies until 31 December 2026 under Article 153 of the Code of Money and Credit and allows inclusion of 75% of revaluation gains in Tier 1 capital subject to Central Bank verification and completion by 31 December 2026. Revaluation must be in fresh USD and recorded in LBP at specified rates (LBP 1,507.5 to the US Dollar until 31 January 2023; LBP 15,000 to the USD Dollar until 31 January 2024; LBP 89,500 to the US Dollar until 31 May 2025; and at the official platform rate from 1 June 2025 onward). Similar provisions apply to fixed assets acquired through debt settlement under Article 154 with the same conditions and deadlines.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for common equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1. After allowing banks to draw down the buffer fully during 2020 and 2021, a partial drawn up to 1.75% in 2022, latest regulatory changes introduced on 2 February 2024 via Intermediate Circular 689 allowed a full draw down of the 2.5% buffer during years 2023 and 2024. Central Bank of Lebanon will issue future instructions for reconstitution of capital.
- Intermediate Circular 740 issued on 29 August 2025 temporarily allows banks to reduce the “Capital Conservation Buffer” below the required 2.5% for the years 2023–2025, with gradual restoration per future BDL instructions.
- Preparing and presenting to the Central Bank of Lebanon a comprehensive plan for rectifying non-compliances with regulatory capital requirements and other regulations imposed by the Central Bank of Lebanon, taking into consideration all required provisions by the Banking Control Commission of Lebanon (BCCL), as well as other losses or provisions that the Bank expects to incur from all kinds of exposures to risks, and specifying the period of time needed to address the non-compliances.
- Exceptionally for the years 2020 and 2021, Allowances for Expected Credit Losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortised over a period of 3 years (2022-2024 by 25% yearly).
- Basic Circular 154 issued on 27 August 2020 and aiming mainly at restoring the operations of banks in Lebanon to their normal levels as at before October 2019, and rectifying any non-compliance with regulatory ratios and banking regulations. The circular mainly introduced the following measures:
 - Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.
 - Requesting banks to incite each customer who has transferred abroad, between 1 July 2017 and the date of the circular, more than USD 500,000 or their equivalent in other foreign currencies, to deposit in a 5-year term (extended to 8-year term following Intermediate Circular 707 date 20 September 2024) “special account” an amount equal to 15% to 30% (depending on the type of customer) of the transferred amount. Banks shall use this type of deposits to facilitate foreign operations that stimulate the national economy. This is also applicable for the banks’ importing customers, based on opened letters of credits during any of the years 2017, 2018 and 2019, and without a minimum threshold.
 - Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (cash on premises and liquidity abroad). Such accounts shall be at no time less than 3% of the Bank’s total foreign currency deposits as at 31 July 2020, by 28 February 2021. This requirement was subject to several amendments; the latest (Intermediate Circular 707) considered foreign currency deposits as at 31 July 2024 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers’ deposits decreased over the period. Besides, it extended the date to comply to be 31 December 2025 instead of 28 February 2021. Also it added to the numerator Lebanese sovereign Eurobonds as well as US Treasury and Investment grade foreign debt instruments on the condition they are held at fair value. Intermediate Circular 716 issued on 21 November 2024 expanded again the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated “BBB” and above held at fair value.
 - Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon’s Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Basic Circular 157 issued on 10 May 2021 and setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Banks are required to properly document each transaction and should not collect commission margins between buy and sell operations exceeding 1%.
- Basic Circular 158 issued on 8 June 2021 and defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met.

Eligible funds will be transferred to a subaccount over which banking secrecy will be lifted vis-à-vis BdL and BCC before being gradually withdrawn and remitted to the customer on a monthly basis. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) (amended later on to US\$ 300 for all BDL 158-based contracts signed with the customers after 1 July 2023 following the issuance of BDL intermediate circular 674 on 5 July 2023) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. The portion in LBP was later on removed with the issuance of BDL Intermediate Circular 674. On 17 November 2023, BdL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158. On 8 June 2024, Intermediate Circular 697 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 158 can now benefit from BDL Basic Circular 166 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 717 issued on 26 November 2024.

During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 158 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency. Intermediate circular 729 issued on 20 February 2025 increased the monthly payment to be \$500 for all beneficiaries of Basic Circular 158. The monthly payment was further increased to \$800 (Intermediate circular 736 issued on 18 June 2025). Intermediate Circular 746 issued on 28 November 2025 increased the monthly payment by \$200 to be \$1,000 that can only be used through POS. These additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

Customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank. The financing of the aforementioned process will be secured equally through (i) BdL reduction of compulsory reserves requirements from 15% to 14% as per BdL Intermediate Circular 586 and then from 14% to 11% as per BdL Intermediate Circular 731 issued on 27 March 2025 and (ii) the Bank's offshore liquidity.

To that end, the Bank can use its foreign liquidity subject computed as per BdL Basic Circular 154 requirements on the condition that it reconstitutes it by 31 December 2022, extended to 31 December 2023 by Intermediate Circular 626 issued on 21 June 2022.

- Basic Circular 159 issued on 17 August 2021 preventing banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than its face value, with the exception of transactions pertaining to the settlement of loans (which was subsequently removed by Intermediate Circular 671 issued on 20 June 2023). It also prevented banks from purchasing foreign currencies at parallel rate with the exception of the purchase foreign currencies duly recorded on the electronic platform and resulting from offshore incoming transfers with the purpose of (i) enhancing liquidity, (ii) engaging in medium or long term investments, (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other bank accounts in foreign currencies, whether directly or indirectly.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Intermediate Circular 600 (amending Basic Circular 73) issued on 3 November 2021 requires banks to record existing and future provisions for expected credit losses in the same currency as the related assets and off-balance sheet exposures. Banks are also required to set in place necessary measures to manage their FX position resulting from provisions recorded in foreign currencies.
- Intermediate Circular 616 issued on 3 March 2022 prohibiting banks from distributing dividends to ordinary shareholders from results of financial years 2019, 2020 and 2021 (years 2022, 2023, 2024 and 2025 were added through Intermediate Circular 659, 676, 726 and 741 respectively).
- Basic Circular 162 issued on 28 March 2022 requesting from banks to secure a level of liquidity sufficient to allow public sector employees to withdraw their monthly salaries and other compensations without setting any type of limits.
- Basic Circular 163 issued on 27 May 2022 defining the framework for the monitoring of the accounts of public officials, the performance of due diligence on their operations and the reporting to the Special Investigation Committee on the basis of founded suspicion.
- Intermediate Circular 637 issued on 27 July 2022 (amending Basic Circulars 65 and 78) requires banks selling real estate properties or participations acquired in accordance with the provisions of Article 153 or 154 of the CMC, only against fresh USD or its equivalent in LBP based on Sayrafa rate.
- Basic Circular 164 issued on 12 October 2022 and requesting banks to report to the Banking Control Commission on the cost of their monthly operating expenses that should be paid with fresh money, the resources for settling these expenses and how to ensure those resources.
- Intermediate Circular 648 issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates served on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards). This circular was later amended on 2 February 2024 by Intermediate Circular 686 increasing the interest rate reduction on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL from 50% to 75% while limiting the coupon payment to be in FCY only. The Intermediate Circular 701 issued on 27 June 2024 specified that interests paid in USD by BDL on the banks' term deposits in US dollars and on Certificates of deposits in US Dollars owned by banks will be placed in the non-“cash money” current account opened at BDL for the concerned bank. Those provisions are applicable until 31 December 2024. Intermediate Circular 738 issued on 18 June 2025 extended the deadline to 31 December 2025. Intermediate Circular 749 issued on 30 December 2025 amended the interest reduction from 75% to 90%.
- Intermediate Circular 656 issued on 20 January 2023 stating that Banks and financial institutions operating in Lebanon must not accept the repayment of loans granted in foreign currencies to non-residents, of which off-shore companies, except through incoming cross-border transfers of fresh funds.
- Basic Circular 165 issued on 19 April 2023 and requesting banks to open new accounts at BDL in LBP and in US\$ specifically and exclusively for the “Cash Money” (i.e. money transferred from abroad and/or received as banknotes in foreign currencies after 17 November 2019 in addition to the money deposited or which will be deposited as banknotes in new accounts in LBP and which respect the conditions set in BDL basic circular 150 for “fresh money”). These new accounts will be used for the settlement, compensation & transfer operations through BDL National Payment System (BDL-NPS).

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Intermediate Circular 683 issued on 17 November 2023 amending the provisions BDL Basic Circular 32 which defines the framework of Foreign Exchange (“FX”) operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The Effects of Changes in Foreign Exchange Rates differentiating monetary from non-monetary items and the corresponding impact on the Bank’s FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The Intermediate Circular 730 issued on 20 February 2025 circular stated that excesses over set limits whether long or short should be liquidated by 31 December 2025. Intermediate Circular 755 issued on 9 January 2026 extended the deadline for short FX position to 31 December 2026.
- Intermediate Circular 689 issued on 2 February 2024 permitting the full inclusion in Common Equity Tier 1 of balance of Foreign Currency Translation Adjustments as well as 75% of net changes from FVTOCI instruments. Besides, it allowed a full draw down of the 2.5% capital conservation buffer during years 2023 and 2024. This circular was later amended on 29 August 2025 by Intermediate Circular 740 including year 2025.
- Intermediate Circular 690 issued on 2 February 2024 permitting the full inclusion in the regulatory equity of positive balance (gains) of Foreign Currency Translation Reserve noting that this equity is used for the computation of various regulatory ratios other than capital adequacy ratios (FX position, limit of placement with FI, Code of money credit (“CMC”) 153 limit.
- Basic Circular 166 issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in FCY and de-facto replacing Basic Circular 151, which authorized limited withdrawals in LBP from foreign currencies accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular – who cannot be old or current beneficiaries from Basic Circular 158 - would be able to withdraw on a monthly basis USD150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank’s own liquidity and 50% from the Bank’s restricted funds with BDL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per basic circular 154, traders of checks, customers who converted LBP deposits into foreign currencies for at least USD 300,000 post-crisis with the exception of those who converted their end of service indemnity, customers who settled their FCY loans for an amount equivalent to USD 300,000 from LBP proceeds, beneficiaries of sayrafa transactions above or equal to USD 75,000, corporate clients, etc.). On 27 June 2024, Intermediate Circular 698 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 166 can now benefit from BDL Basic Circular 158 as long they don’t benefit from both circulars concurrently in the same “yearly cycle” (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 718 issued on 26 November 2024.

During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 166 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank’s compulsory reserves with BDL in foreign currency.

Intermediate circular 728 issued on 20 February 2025 increased the monthly payment to be \$250 for all beneficiaries of Basic Circular 166; cumulative amount was increased accordingly from USD 4,350 to USD 6,700. The monthly payment was further increased to \$400 (Intermediate circular 737 issued on 18 June 2025) and the cumulative amount was increased accordingly from USD 6,700 to USD 8,500. Intermediate Circular 747 issued on 28 November 2025 increased the monthly payment by \$100 that can only be used through POS and the cumulative amount was increased to USD 9,200. These additional amounts were financed from the Bank’s compulsory reserves with BDL in foreign currency.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Basic Circular 167 issued on 2 February 2024 defining the published rate on BDL's electronic platform as the FX translation rate for the Bank's FCY monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting January 2024 reported financials.
- Intermediate Circular 708 issued on 20 September 2024 (amending Basic Circulars 43 and 44) changing the treatment of revaluation of foreclosed assets for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 for 75% of its value (previously 33% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain and on the completion of the revaluation before 31 December 2025 extended to 31 December 2026 by Intermediate Circular 741 issued on 10 September 2025.
- Intermediate Circular 712 issued on 10 October 2024 (amending Basic Circular 147) requesting from Banks to refund customers' accounts with the proceeds of a Banker's check issued by the Bank from the concerned customer's account on the condition it has not been endorsed and there are no related litigations. Besides, if the customer is eligible, he can benefit from provisions of Basic Circulars 158 and 166.
- Intermediate Circular 723 issued on 13 January 2025 (amending Basic Circular 81) restricting the granting of loans in US Dollars to "cash money" only as per Basic Circular 165 definition.
- Intermediate Circular 733 issued on 27 March 2025 (amending Basic Circular 159) permitting banks to purchase foreign currencies provided that the margins and commissions do not exceed 1% of the purchase price to only sell local foreign currency only to Central Bank of Lebanon. Banks are also restricted to sell or purchase financial instrument in Local foreign currencies without prior approval from Central Bank of Lebanon (amended with Intermediate Circular 734 issued on 14 April 2025).
- Intermediate Circular 742 issued on 10 September 2025 requires banks, when issuing banker's checks or certified checks in Lebanese pounds, to ensure the purpose is legitimate (personal or commercial uses, tax payments, judicial deposits...) and does not lead to currency speculation. These checks must include the phrase "Payable only to the first beneficiary (non-endorsable)."
- Intermediate Circular 744 issued on 27 October 2025 excludes Lebanese Treasury Bonds in foreign currencies (Eurobonds) from the specified ratio and prohibits non-compliant banks from selling these bonds. Compliant banks may sell Eurobonds provided proceeds are used primarily to: (1) secure liquidity for one year, and (2) finance commercial and investment operations, without covering operating expenses.
- Basic Circular 169 issued on 1 July 2025 subjecting any offshore transfer of FCY restricted deposits to BDL approval in the name of equal treatment of depositors.
- Basic Circular 171 issued on 14 November 2025 requires all banks and institutions under the supervision of the Central Bank to comply with requests for lifting banking secrecy from the Central Bank and/or the Banking Control Commission without any excuse. Requests may include any records or information related to individuals or entities, retroactively up to ten years from the law's issuance date. Requests must be sent securely (encrypted electronically or confidentially in writing) and signed by authorized officials. Banks must establish internal procedures to handle requests, ensure secure transmission, and maintain confidentiality. Documents must be marked "Confidential," and receipt must be confirmed. Records of transmission and receipt must be kept for at least ten years. Banks must respond within 15 working days. Non-compliance subjects institutions to legal penalties. The Banking Control Commission monitors implementation and may update procedures.
- Basic Circular 172 issued on 21 January 2026 requires all banks to ensure that customers complete the Cash Transaction Slip (CTS) as per attached Form (RF2), whenever they carry out at a specific bank, on a daily basis, one or more cash deposits equal to, or above USD 10,000 or its equivalent in any other currency. The information provided in the CTS Form is cross-checked against the information in the KYC Form to verify its consistency.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group

Exchange Rates

Several exchange rates had emerged since the last quarter of 2019 that varied significantly among each other and from the official published exchange rate. The official exchange rate was changed from LBP 1,507.5 to LBP 15,000 to the US Dollar in February 2023 and from LBP 15,000 to LBP 89,500 to the US Dollar in January 2024. Sayrafa Rates (refer to below) and parallel market rates remained highly volatile and divergent from the official published exchange rates since the last quarter of 2019 up to the last change in the official published exchange rate in January 2024, as a result of which they became convergent. The Group recorded the effect of that change in the consolidated income statement for the year ended 31 December 2024 under “Net (loss) gain from financial assets at fair value through profit or loss” and in the consolidated statement of comprehensive income under “Exchange differences on translation of foreign operations”. The corresponding figures for the year ended 31 December 2024 have not been restated to reflect the effect of using exchange rates compliant with IAS 21 – The Effects of Changes in Foreign Exchange Rates.

Assets and liabilities in foreign currency, transactions in foreign currency and foreign currency translation reserves, regardless of whether they are onshore or offshore, were reflected in these consolidated financial statements at the official published exchange rates as follows:

	2025		2024	
	<i>Year-end Rate</i> <i>LL</i>	<i>Average Rate</i> <i>LL</i>	<i>Year-end Rate</i> <i>LL</i>	<i>Average Rate</i> <i>LL</i>
US Dollar	89,500.00	89,500.00	89,500.00	89,500.00
Euro	105,386.25	104,835.68	93,465.00	93,739.68
Romanian Leu	20,670.05	20,793.50	18,790.33	18,843.56
British Pound	120,772.69	122,348.38	112,717.08	110,721.48
Jordanian Dinar	126,234.13	126,234.13	126,163.00	126,163.00
Egyptian Pound	1,873.01	1,880.89	1,760.40	1,775.90
Saudi Riyal	23,864.76	23,856.47	23,835.00	23,824.00
Qatari Riyal	24,553.00	24,551.00	24,551.00	24,533.26
Iraqi Dinar	68.32	68.32	68.32	68.32
Arab Emirates Dirham	24,418.71	25,259.57	24,493.57	23,572.47

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis.

Sayrafa Platform

On 10 May 2021, the Central Bank of Lebanon issued Basic Circular 157 setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers’ FX operations (buy and sell) related to their personal or commercial needs on the electronic platform “Sayrafa”. Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Sayrafa corresponds to a floating system and the Sayrafa average rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon.

Foreign currency operations were executed on the Sayrafa platform at the following exchange rates:

	<i>Rate as at 31</i> <i>December</i> <i>2025</i>	<i>Average Rate</i> <i>for the year</i> <i>ended 31</i> <i>December</i> <i>2025</i>	<i>Rate as at 31</i> <i>December</i> <i>2024</i>	<i>Average Rate</i> <i>for the year</i> <i>ended 31</i> <i>December</i> <i>2024</i>
	<i>LL</i>	<i>LL</i>	<i>LL</i>	<i>LL</i>
US Dollar	89,500	89,500	89,500	89,500

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

Sayrafa Platform (continued)

The platform rate is not available for the purchase and sale of and “local” foreign currency bank accounts which are subject to de-facto capital controls.

The Group uses the official published exchange rate to translate all balances and transactions in foreign currencies, regardless of their source or nature. With respect to onshore monetary assets and liabilities, subject to de-facto capital controls, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the consolidated financial statements.

Expected Credit Losses

As at 31 December 2025, loss allowances on assets held at the Central Bank of Lebanon recorded in these consolidated financial statements amounted to LL 82,937 billion against gross exposure of LL 1,154,078 billion as at 31 December 2025 (2024: LL 105,303 billion against LL 1,246,549 billion). In addition, as at 31 December 2025, loss allowances on Certificates of deposits under financial assets at amortized cost recorded in these consolidated financial statements amounted to LL 1,969 billion against gross exposure of LL 36,025 billion (2024: LL 1,977 billion against LL 36,025 billion). Due to the high levels of uncertainty and to the lack of observable indicators and of visibility on the government’s plans with respect to banks’ exposure to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognised loss allowances, as well as their staging, are detailed in note 45 to these consolidated financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the significant high inflation in Lebanon. Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. It has also set up a centralised and specialised remedial function to proactively review and manage the quality of its various portfolios. The private loans portfolio of Lebanese entities has significantly contracted since the onset of the Lebanese crisis. With all other variables held constant, Management believes that the significant devaluation of the Lebanese Pound (and de-facto local US Dollar) and the triple digit inflation, reduced the risks of default compared to 31 December 2019.

However, given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Group’s portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 45 to these consolidated financial statements.

The consolidated financial position of the Group, as reported in these consolidated financial statements, does not reflect the adjustments that would be required by IFRS Accounting Standards as a result of the future government reform program, the deep recession, the currency crisis and the hyperinflation. Due to the high levels of uncertainties, the lack of observable indicators, the uncertainty on the exchange rate, and the lack of visibility on the government’s plans with respect to: (a) the high exposures of banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied on foreign currencies subject to de-facto capital controls, Management is unable to estimate in a reasonable manner the impact of these matters on its consolidated financial position. Management anticipates that the above matters will have a materially adverse impact on the Group’s consolidated financial position and its consolidated equity.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

Litigations and Claims

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De-facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds.

Management is carefully considering the impact of these litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. Management believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Management considers that they may affect negatively the position of the Group. The amount cannot be determined presently.

Law 330 dated 4 December 2024

Law 330 enacted on 4 December 2024 (amending Article 45 of Income Tax Law 144 and its amendments), authorized taxpayers to conduct a non-taxable exceptional revaluation of fixed assets and inventory, and an exceptional adjustment on the negative or positive foreign exchange differences resulting from receivable and payable balances and from financial accounts in foreign currency. On 12 March 2025, the Ministry of Finance issued the decisions 338, 339 and 340 related to the application of Law 330. On 1 August 2025, the Ministry of Finance issued decision 715/1 related to the application of law 330 by banks. The Bank applied the requirements of Law 330 and the application decisions and restated previously submitted financial statements as disclosed in Note 2.6.

Measures by the Bank

Meanwhile, the Bank is exerting extended efforts to (a) strengthen its capitalisation, (b) enhance the quality of its private loans portfolio, deleveraging it as appropriate and downsizing its balance sheet, (c) build up its offshore liquidity and reduce its commitments and contingencies to correspondent banks and financial institutions outside Lebanon and (d) manage operating profitability.

On 1 October 2020, the Bank received a letter from the Central Bank of Lebanon, referring to Basic Circular 154 and Intermediate Circular 567, and requesting the Bank to submit a roadmap that sets out the following:

- The Bank's overall strategy for the years 2020-2024.
- The Bank's assessment of its portfolio of private loans and expected credit losses as at 31 December 2020, as well as total realised and expected losses for the year 2020.
- The amount of expected credit losses that have not been translated yet to foreign currencies.
- The capital needs to comply with the minimum required capital and the measures and sources that will be relied upon to cover the shortfall, when existing.
- The Bank's strategy with respect to its investments in foreign banks and branches.
- The mechanism to rectify any non-compliance with regulatory requirements.
- The measures that will be taken to rectify non-compliances with articles 154 and 153 of the Code of Money and Credit, if any.

The measures that will be taken to attract foreign liquidity or "fresh funds" and to cover liquidity onshore and offshore commitments.

The roadmap was submitted to the Central Bank of Lebanon on 4 December 2020 including a number of assumptions that remain highly susceptible to material change depending on the evolution of the financial, monetary and operating conditions in Lebanon. Hence, a definitive reasonable and credible roadmap can only be achieved once the many material uncertainties still governing the outlook in Lebanon are resolved and the amount of recapitalisation needs is accurately determinable.

Once the above uncertainties are resolved, a pro-forma balance sheet of the Bank will be prepared which will include the effects of the hyperinflation, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and the effects on its private loan portfolio.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

Measures by the Bank (continued)

The Bank's key strategic objectives during this challenging period focused on the consolidation and de-risking of the domestic franchise and operations, and the ring-fencing of foreign entities and branches from Lebanon spill-over effects: 1- Strengthening the Group's foreign currency liquidity metrics; 2- Maintaining sufficient capital buffers over the minimum regulatory capital adequacy levels; 3- Improving asset quality by (i) closely monitoring the lending portfolios, taking early remedial actions on problematic files and maintaining adequate provisioning coverage and (ii) significantly reducing sovereign debt exposure; especially in foreign currency; 4-Ensuring that foreign entities continue to provide the Group with diversified income generation capacity; 5-Targeting a lean organizational structure by improving operational efficiency and optimizing cost structure.

The Group is taking measures to help strengthen its financial position, including international liquidity and solvency metrics. However, as at 31 December 2025, consolidated capital adequacy ratios stood at 5.80%, 5.80% and 5.93% for CET1, Tier 1 and Total CAR respectively (minimum regulatory levels of 4.5%, 6.0% and 8.0%, since banks are allowed to draw down on the 2.5% capital conservation buffer during 2024 and 2025).

In the continued absence of the long awaited banking restructuring plan, the Bank is unable to predict the impact of the crisis and the then adopted restructuring plan on the financial statements of the Bank in Lebanon, nor it is able to predict the measures that might be taken by the regulator in that regard. The Bank is also uncertain whether the measures implemented since the outset of the crisis and mentioned above would be sufficient to cover all its commitments as they become due and restore the activities of the Bank to normal pre-crisis levels. Such sufficiency and a reasonable and credible plan can only be achieved once the uncertainties from the prevailing crisis, and, as well as the implementation of a clear national fiscal and economic recovery plan are resolved. It is only at that particular point in time that a pro-forma balance sheet of the Bank will be prepared and will include the effects of the hyperinflation, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and to a lesser extent the effects on its private loan portfolio.

The Lebanese crisis which was set off during the last quarter of 2019 has imposed severe limitations on the ability to conduct Commercial Banking activities or transactions under the normal course of business in Lebanon. Market embedded factors, such as de-facto capital controls, inability to secure foreign liquidity and the existence of several values for the US Dollar, resulted into several practices and transactions that would not qualify as normal course of business in a non-crisis environment, and for which there are no directly observable prices or a governing legal/regulatory framework. Such practices and transactions expose the Bank to increased litigation and regulatory risks, and negatively impact the financial position of the Bank, its regulatory ratios and covenants due the adverse effects of the uncertainties. There is a significant uncertainty in relation to the extent and period over which this situation will continue and the impact that conducting operations under a crisis environment in the foreseeable future will further have on the Group's financial position, future cash flows, results of operations, regulatory ratios and covenants. The Group's realisation value of assets and sufficiency and settlement value of liabilities are premised on future events, the outcome of which are inherently uncertain.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for: a) the revaluation of land and buildings pursuant to the adoption of the revaluation model of IAS 16 for this asset class, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The consolidated financial statements are presented in Lebanese Lira (LL) which is the Bank's functional currency and all values are rounded to the nearest LL million, except when otherwise indicated.

As of 31 December 2025 and 2024, all conditions have been met for the Group's consolidated financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analysing the behaviour of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 287% and 12% respectively, as of December 2025 (2024: 666% and 18%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020. Therefore, entities whose functional currency is the Lebanese Pound should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatements shall be made as if the Lebanese economy has always been hyperinflationary, using a general price index that reflects the changes in the currency's purchasing power.

The effects of the application of IAS 29 are summarised below:

- (a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.
- (b) In summary, the restatement method under IAS 29 is as follows:
 - i. Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income for the period for which it is reported.
 - ii. Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.
 - iii. Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortisation charges of intangible assets recognised in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.
 - iv. Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately and compare them again, but with the restated amounts.
 - v. At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior year comparatives are restated in terms of the measuring unit current at the end of the current reporting period. The equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

As of the date of the accompanying consolidated financial statements, Management did not apply the above-mentioned standard, nor is it able to quantify the effect that the application of IAS 29 would have on the presented consolidated financial statements. However, management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Group in the accompanying consolidated financial statements including its consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement.

The Group is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Group to develop new accounting software and processes, internal controls and governance framework. Accordingly, the Group has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Group is comfortable that such application would provide the users with more relevant information.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is based on a general model, supplemented by:

- a. A specific adaptation for contracts with direct participation features (the variable fee approach)
- b. A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is applicable for annual reporting periods commencing on 1 January 2023. The insurance subsidiary did not adopt this standard in its books for the years ended 31 December 2024 and 2025 as the Insurance Control Commission has requested insurance companies to prepare their financial statements applying IFRS 4.

The insurance subsidiary is currently working on the following areas to ensure successful implementation of IFRS 17 and compliance with the regulatory requirements:

- Finalization of the policies and procedures
- Initiate the IFRS 17 run as at 31 December 2022 in order to calculate the transition impact following the implementation of IFRS 17
- Preparing IFRS 17 disclosures and presentation in line with IFRS 17
- Continuation of the knowledge transfer and trainings of key stakeholders in the business; and
- Implementation of future financial and data governance processes and accountabilities.

The insurance subsidiary is still awaiting the instructions of ICC in regard of the date of the first time adoption of IFRS 17. The amendments have a material impact on the Company's financial statements.

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and the regulations of the Central Bank of Lebanon and the Banking Control Commission ("BCC").

Presentation of consolidated financial statements

The Group presents its statement of consolidated financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than one year after the statement of financial position date (non-current) is presented in these notes.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are offset and the net amount is reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis – or to realise the assets and settle the liability simultaneously – in all of the following circumstances: a) the normal course of business, b) the event of default, and c) the event of insolvency or bankruptcy of the Group and/or its counterparties.

Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement. This is not generally the case with master netting agreements; therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group. The effect of netting arrangements is disclosed in note 28 to the consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The accompanying consolidated financial statements comprise the financial statements of BLOM Bank SAL and its subsidiaries as at 31 December 2025. Details of the principal subsidiaries are given in note 3 to the consolidated financial statements.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continued to be consolidated until the date when such control ceases.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Where the Group loses control of a subsidiary but retains an interest in it, then such interest is measured at fair value at the date that control is lost with the change in carrying amount recognised in profit or loss. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. As such, amounts previously recognised in other comprehensive income are transferred to consolidated income statement.

Non-controlling interests

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned by the Group. The Group has elected to measure the non-controlling interest in acquirees at the proportionate share of each acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Group are reported in consolidated equity as non-controlling interests.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments adopted by the Group

The Group applied for the first time certain amendments to the standards which are effective for annual periods beginning on or after 1 January 2025. The nature and impact of each amendment is described below:

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. This amendment did not have a material impact on the Group's consolidated financial statements.

2.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Bank's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the ‘settlement date’ and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute ‘non-recourse features’ and what are the characteristics of contractually linked instruments.
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Group does not anticipate that the amendments will have a material effect on the Group’s consolidated financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows. The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed. The amendments are not expected to have a material impact on the Group’s consolidated financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the ‘own-use’ requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures. The Group does not expect that the amendments will have a material impact on its consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 "*Operating segments*".

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Foreign currencies

The consolidated financial statements are presented in Lebanese Lira (LL) which is the Group's functional currency. For each entity in the Group, the Bank determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction (as disclosed in note 1 to the consolidated financial statements).

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the consolidated statement of financial position. All differences are taken to "Net loss from financial assets at fair value through profit or loss" in the consolidated income statement, except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss are recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

(ii) Group companies

On consolidation, the assets and liabilities in foreign operations are translated into the Bank's presentation currency at the rate of exchange as at the reporting date (as disclosed in note 1 to the consolidated financial statements), and their income statements are translated at the weighted average exchange rates for the year (as disclosed in note 1 to the consolidated financial statements). The exchange differences arising on translation are recognized in OCI. On disposal of a foreign entity, the deferred cumulative amount recognized in OCI relating to that particular foreign operation is recognized in the consolidated income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the exchange rate on the reporting date (as disclosed in note 1 to the consolidated financial statements).

Financial instruments – initial recognition

(i) Date of recognition

All financial assets and liabilities are initially recognized on the settlement date. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the case of a financial instrument measured at fair value, with the change in fair value being recognized in profit or loss, the transaction costs are recognized as revenue or expense when the instrument is initially recognized.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Financial instruments – initial recognition (continued)

(iii) Day 1 profit or loss

When the transaction price differs from the fair value at origination and the fair value is based on a valuation technique using only observable inputs in market transactions, the Group immediately recognizes the difference between the transaction price and fair value (a “Day 1” profit or loss) in the consolidated income statement. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

Financial assets – classification and measurement

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of two criteria:

- (i) The business model within which financial assets are measured; and
- (ii) Their contractual cash flow characteristics (whether the cash flows represent “solely payments of principal and interest” (SPPI)).

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

All other financial assets are classified as measured at fair value through profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

On initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group is required to disclose such financial assets separately from those mandatorily measured at fair value.

Business model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to Management.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Financial assets – classification and measurement (continued)

Business model (continued)

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the Group needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the Group's business model for managing those financial assets changes, the Group is required to reclassify financial assets.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit and loss.

Financial assets at amortized cost

Balances with central banks, Due from banks and financial institutions, Net loans and advances to customers and related parties at amortized cost and Financial assets at amortized cost

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at amortized cost using the EIR, less expected credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "interest and similar income" in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Net recovery on financial assets". Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net loss from derecognition of financial assets at amortized cost" in the consolidated income statement.

Financial assets at fair value through other comprehensive income

Debt instruments at fair value through other comprehensive income

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for debt instruments at fair value through other comprehensive income is explained below. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Financial assets – classification and measurement (continued)

Financial assets at fair value through other comprehensive income (continued)

Equity instruments at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably some of its investments in equity instruments at fair value through other comprehensive income when they are not held for trading. Such classification is determined on an instrument-by-instrument basis.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Dividends on these investments are recognised under “Revenue from financial assets at fair value through other comprehensive income” in the consolidated income statement when the Group’s right to receive payment of dividend is established in accordance with IFRS 15: “Revenue from contracts with customers”, unless the dividends clearly represent a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Financial assets at fair value through profit or loss

Included in this category are those debt instruments that do not meet the conditions in “*financial assets at amortized cost*” and “*financial assets at fair value through other comprehensive income*” above, debt instruments designated at fair value through profit or loss upon initial recognition, and equity instruments at fair value through profit or loss. Management only designates a financial asset at fair value through profit and loss upon initial recognition when the designation eliminates, significantly reduces, the inconsistent treatment that would otherwise arise from measuring assets or recognizing gains and losses on them on a different basis.

Debt instruments at fair value through profit or loss

These financial assets are recorded in the consolidated statement of financial position at fair value. Transaction costs directly attributable to the acquisition of the instrument are recognized as revenue or expense when the instrument is initially recognized. Changes in fair value and interest income are recorded under “Net loss from financial assets at fair value through profit or loss” in the consolidated income statement. Gains and losses arising from the derecognition of debt instruments and other financial assets at fair value through profit or loss are also reflected under “Net loss from financial assets at fair value through profit or loss” in the consolidated income statement, showing separately those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity instruments at fair value through profit or loss

Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income. These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividend income are recorded under “Net loss on financial assets at fair value through profit or loss” in the consolidated income statement. Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under “Net loss from financial assets at fair value through profit or loss” in the consolidated income statement.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Financial liabilities (other than financial guarantees, letters of credit and loan commitments) – classification and measurement

Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortized cost or fair value.

The Group classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method, except for:

- Financial liabilities at fair value through profit or loss (including derivatives);
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; and
- Contingent consideration recognized in a business combination in accordance with IFRS 3.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:

- Doing so results in more relevant information, because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's Key Management Personnel; or
- A group of financial liabilities contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by contract, or it is clear with little or no analysis when a similar instruments is first considered that separation of the embedded derivatives is prohibited.

Financial liabilities at fair value through profit and loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at fair value through profit and loss due to changes in the Group's own credit risk. Such changes in fair value are recognized in other comprehensive income, unless such recognition would create an accounting mismatch in the consolidated income statement.

Changes in fair value attributable to changes in credit risk do not get recycled to the consolidated income statement.

Interest incurred on financial liabilities designated at fair value through profit and loss is accrued in interest expense using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Debt issued and other borrowed funds

Financial instruments issued by the Group, which are not designated at fair value through profit or loss, are classified under “Debt issued and other borrowed funds” where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Financial liabilities (other than financial guarantees, letters of credit and loan commitments) – classification and measurement (continued)

Due to central banks, Banks and financial institutions and Customers' and related parties' deposits

After initial measurement, due to central banks, banks and financial institutions, and customers' and related parties' deposits are measured at amortized cost less amounts repaid using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method. Customer deposits which are linked to the performance of indices or commodities are subsequently measured at fair value through profit or loss.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (aka the "underlying").
- b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c) It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, forward foreign exchange contracts, equity swaps and options and currency options.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes. Changes in the fair value of derivatives are recognized in "Net (loss) gain from financial assets at fair value through profit or loss" in the consolidated income statement.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a consolidated financial instrument.

An embedded derivative is separated from the host and accounted for as a derivative if, and only if:

- (a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9;
- (b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- (c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (d) The hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated income statement, and an ECL provision. The premium received is recognized in the consolidated income statement in "Net fees and commission income" on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL requirements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Financial guarantees, letters of credit and undrawn loan commitments (continued)

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the notes.

Reclassification of financial assets

The Group reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent and are determined by the Group's Senior Management as a result of external or internal changes when significant to the Group's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognized gains, losses or interest are not restated.

If a financial asset is reclassified so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognized in profit or loss. If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

Derecognition of financial assets and financial liabilities

Financial assets

(i) Derecognition due to substantial modification of terms and conditions

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below).

If the modification of a financial asset measured at amortized cost or fair value through other comprehensive income does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment loss. In other cases, it is presented as interest income calculated using the effective interest rate method.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial assets (continued)

(ii) Derecognition other than for substantial modification

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group’s continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the consolidated income statement, as “other operating income” or “other operating expenses”.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial liabilities (continued)

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding consideration received (cash collateral provided) is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within “Repurchase agreements”, reflecting the transaction’s economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated statement of financial position to “Financial assets at fair value through profit or loss pledged as collateral” as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The consideration paid (cash collateral provided), including accrued interest is recorded in the consolidated statement of financial position, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in “Net interest income” and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within “Financial liabilities at fair value through profit or loss” and measured at fair value with any gains or losses included in “Net (loss) gain from financial assets at fair value through profit or loss” in the consolidated income statement.

Impairment of financial assets

(i) Overview of the ECL principles

The Group records allowance for expected credit losses for all loans and other financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts, in this section all referred to as “financial instruments”. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which cases, the allowance is based on the 12 months’ expected credit loss (12mECL). The 12mECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Impairment of financial assets (continued)

(ii) Measurement of ECLs

The Group measures ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.

The key inputs into the measurements of ECL are:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

These parameters are generally derived from statistical models and other historical data. Forward looking information is incorporated in ECL measurements.

The Group measures ECLs using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For these instruments with a remaining maturity of less than 12 months, probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage, the allowance for credit losses captures the lifetime expected credit losses, similar to Stage 2.

(iii) Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Impairment of financial assets (continued)

(iii) Forborne and modified loans (continued)

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognized, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- At least a 12-month probation period has passed,
- Three consecutive payments under the new repayment schedule have been made,
- The borrower has no past dues under any obligation to the Group,
- All the terms and conditions agreed to as part of the restructuring have been met,

If modifications are substantial, the loan is derecognized, as explained above.

(iv) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income are credit-impaired (referred to as “Stage 3 financial assets”). A financial asset is “credit impaired” when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

(v) Write offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to “Net recoveries (impairment loss) on financial assets”.

(vi) Debt instruments at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

(vii) Collateral repossessed

The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently, these properties are measured at the lower of carrying value or net realizable value.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated income statement under “other operating income” or “other operating expenses”. Gains resulting from the sale of repossessed assets are transferred to “Reserve appropriated for increase of share capital” in the following financial year.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Fair value measurement

The Group measures financial instruments, such as, derivatives, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within “Property, equipment and right-of-use assets” on the consolidated financial statements and are subject to impairment in line with the Group’s policy as described under Impairment of non-financial assets.

Depreciation charge for right-of-use assets presented within “Depreciation of property, equipment and right-of-use assets” on the consolidated income statement.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group’s lease liabilities are included under “other liabilities”. Moreover, the interest charge on lease liabilities is presented within “interest and similar expenses” from financial instruments measured at amortized cost in consolidated financial statements.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Other rental expenses (including non-lease components paid to landlords) presented within other operating expenses.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense

The effective interest rate

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding profit or loss impact.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

Interest income and interest expense

The effective interest rate of a financial asset or a financial liability is calculated on initial recognition of the financial asset or financial liability. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the amortized cost of a financial liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss. In those cases, the fees are recognized as revenue or expense when the instrument is initially recognized.

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortized cost of the instrument. If the financial asset cures and is no longer credit-impaired, the Group reverts back to calculating interest income on a gross basis. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the amortized cost of the instrument. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Revenue recognition (continued)

(i) Interest and similar income and expense (continued)

Presentation

Interest income on financial assets at amortized cost calculated using the effective interest method is presented in the consolidated income statement under “Interest and similar income”. Interest expense on financial assets at amortized cost is presented in the consolidated income statement under “Interest and similar expense”.

Interest income and expense on financial instruments measured at fair value through profit or loss are presented under “Net loss from financial assets at fair value through profit or loss” in the consolidated income statement.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognized as revenues on expiry.

Fee income from providing transaction services

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income

Dividend income is recognized when the right to receive the payment is established.

(iv) Net loss from financial instruments at fair value through profit or loss

Net income from financial instruments at fair value through profit or loss comprises gains and losses related to trading assets and liabilities, non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit or loss and, also non-trading assets mandatorily measured at fair value through profit or loss. The line item includes fair value changes, interest, dividends and foreign exchange differences.

(v) Insurance revenue

For the insurance subsidiaries, net premiums and accessories (gross premiums) are taken to income over the terms of the policies to which they relate using the prorated method for non-marine business and 25% of gross premiums for marine business. Unearned premiums reserve represents the portion of the gross premiums written relating to the unexpired period of coverage. If the unearned premiums reserve is not considered adequate to cover future claims arising on these premiums a premium deficiency reserve is created.

Cash and cash equivalents

“Cash and cash equivalents” as referred to in the consolidated cash flow statement comprises balances with original maturities of a period of three months or less including cash and balances with the central banks, deposits with banks and financial institutions, due to central banks and due to banks and financial institutions.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Property, equipment and right-of-use assets

Property and equipment is stated at cost adjusted as disclosed in Note 2.6 excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Furniture, office installations and computer equipment	(2– 16.67) years
Vehicles	6.67 years

Any item of property and equipment and any significant part initially recognized are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The asset's residual lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if applicable.

Right-of-use assets are presented together with property and equipment in the consolidated statement of financial position – refer to the accounting policy above. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost adjusted as disclosed in Note 2.6. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Intangible assets (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

The Group does not have intangible assets with indefinite economic life.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Key money lower of lease period or 5 years
- Computer software 2.5 years

Assets obtained in settlement of debt, assets held for sale and discontinued operations

Assets obtained in settlement of debt and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell adjusted as disclosed in Note 2.6. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and: a) represents a separate major line of business or geographical area of operations; b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resale.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the loss of control. The resulting profit or loss (after taxes) is reported separately in the consolidated income statement.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in the consolidated income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

Provisions for risks and charges

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Lebanon and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its consolidated financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Employees' retirement benefits obligation

For the Group and its subsidiaries operating in Lebanon, retirement benefits obligation subscriptions paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final retirement benefits obligation due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last salary multiplied by the number of years of service. The Group is liable to pay to the NSSF the difference between the subscriptions paid and the final retirement benefits obligation due to employees. The Group provides for retirement benefits obligation on that basis.

Retirement benefits obligation for employees at foreign branches and subsidiaries are accrued for in accordance with the laws and regulations of the respective countries in which the branches and subsidiaries are located.

Taxes

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Taxes (continued)

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Material accounting policies (continued)

Treasury shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase sale, issue or cancellation of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Assets held in custody and under administration

The Group provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in custody or under administration, are not treated as assets of the Group and accordingly are recorded as off-balance sheet items.

Customers' acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the consolidated statement of financial position for the same amount.

Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment reporting

The Group's segmental reporting is based on the following operating segments: retail banking, corporate banking, treasury, money and capital markets and asset management and private banking.

2.6 Restatement of comparative amounts

Adjustments to the carrying amounts of tangible and intangible assets

The Group recorded adjustments to the carrying amounts of tangible and intangible assets of entities operating in Lebanon based on Law 330 dated 4 December 2024 and Ministry of Finance Decision 715 dated 1 August 2025. These adjustments included the following:

- Land and Buildings in Lebanon, included in property and equipment and assets obtained in settlement of debt were remeasured based on a valuation performed by an accredited independent external valuer in US Dollars and then translated into Lebanese Pounds at LBP 89,500, with a corresponding adjustment to accumulated depreciation; and
- Tangible assets other than land and buildings and intangible assets of entities operating in Lebanon were adjusted by retranslating historical cost and accumulated depreciation at LBP 89,500 to the US Dollar.

The adjustments were applied retrospectively, with corresponding figures as at and for the year ended 31 December 2024 restated and, a third statement of financial position presented as at 1 January 2024. With respect to assets obtained in settlement of debt, the Group adjusted the figures as of 31 December 2024 as required by the Ministry of Finance decisions 340/1 and 715 and Central Bank of Lebanon Intermediate Circular 741 issued on 10 September 2025. The effect of these adjustments on the consolidated financial statements is presented below.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Restatement of comparative amounts (continued)

Adjustments to the carrying amounts of tangible and intangible assets (continued)

Impact on the consolidated statement of financial position as at 1 January 2024:

	<i>1 January 2024 As previously reported LL million</i>	<i>Restatement LL million</i>	<i>1 January 2024 As restated LL million</i>
Assets			
Property, equipment and right-of-use assets	2,393,714	3,506,610	5,900,324
Intangible assets	15,746	(2)	15,744
	<u>2,409,460</u>	<u>3,506,608</u>	<u>5,916,068</u>
Equity			
Revaluation reserves	14,727	3,505,401	3,520,128
Result of the year	3,147,318	1,207	3,148,525
	<u>3,162,045</u>	<u>3,506,608</u>	<u>6,668,653</u>

Impact on the consolidated statement of financial position as at 31 December 2024:

	<i>31 December 2024 As previously reported LL million</i>	<i>Restatement LL million</i>	<i>31 December 2024 As restated LL million</i>
Assets			
Property, equipment and right-of-use assets	11,411,235	23,787,753	35,198,988
Assets obtained in settlement of debts	4,503,261	1,891,344	6,394,605
	<u>15,914,496</u>	<u>25,679,097</u>	<u>41,593,593</u>
Equity			
Revaluation reserves	1,264,373	25,811,198	27,075,571
Retained earnings	2,625,211	1,207	2,626,418
Result of the year	43,336,610	(133,308)	43,203,302
	<u>47,226,194</u>	<u>25,679,097</u>	<u>72,905,291</u>

Impact on the consolidated statement of comprehensive income for the year ended 31 December 2024:

	<i>31 December 2024 As previously reported LL million</i>	<i>Restatement LL million</i>	<i>31 December 2024 As restated LL million</i>
Income statement			
Depreciation of property, equipment and right-of-use of assets	(488,458)	(133,308)	(621,766)
Other comprehensive income			
<i>Revaluation reserves</i>			
Property, equipment and right-of-use assets	1,403,332	20,414,453	21,817,785
Assets obtained in settlement of debts	-	1,891,344	1,891,344
	<u>1,403,332</u>	<u>22,305,797</u>	<u>23,709,129</u>

2 MATERIAL ACCOUNTING POLICIES (continued)

2.7 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Going concern

Notwithstanding the events and conditions disclosed in note 1, these consolidated financial statements have been prepared based on the going concern assumption. The Board of Directors believes that they are taking all the measures available to maintain the viability of the Group and continue its operations in the current business and economic environment.

Business model

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether management's strategy focuses on earning contractual interest revenues;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual cash flows of financial assets

The Group exercises judgement in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of head office and branches due to the significance of these assets to its operations. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.7 Significant accounting estimates and judgements (continued)

Judgements (continued)

Impairment loss on financial assets

In determining the expected credit losses, the Group makes the following judgments:

- **Significant increase in credit risk (SICR)**
In assessing whether a significant increase in credit risk (SICR) has occurred for an exposure since initial recognition, the Group considers both quantitative and qualitative information and analysis. In doing so, the Group makes judgements about the appropriate indicators used as SICR triggers. The triggers that the Group has determined as appropriate include the 90-day backstop, movement in PD and other qualitative factors, such as the account becoming forborne.
- **Multiple economic scenarios**
The Group in its measurement of ECLs makes judgements about the type and number of macroeconomic scenarios in order to reflect the Group's exposure to credit risk. For Lebanon, given the prevailing high economic and financial uncertainties and challenges, as disclosed in Note 1, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in view of the prolonged crisis. It is not practical at this stage to determine and provide plausible macroeconomic scenarios before the full resolution of these prevailing high uncertainties. For the Group's various countries of operation, excluding Lebanon, the impact on ECL is not material.
- **Definition of Default**
Significant judgement exists with regards to when an asset is considered to have defaulted, and the resulting definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated.
- **Other judgements in the determination of ECL include:** Development of ECL models, including the segmentation of products, the various formulas and the choice of inputs, for example which inputs are relevant for the particular exposures in particular regions.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, estimation is required to establish fair values. The judgements and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

Impairment Losses on Financial Assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.7 Significant accounting estimates and judgements (continued)

Estimates and assumptions (continued)

Impairment Losses on Financial Assets (continued)

Components of the ECL models that are considered accounting judgments and estimates include:

- The Group's internal credit rating model.
- The Group's criteria for assessing if there has been a significant increase in credit risk.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs and their impact on ECL calculation.
- Selection of forward-looking macroeconomic scenarios and their probability of occurrence, to derive the ECL models.

As per internal policy, the Group regularly reviews its models in the context of actual loss experience and adjusts when necessary.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

3 GROUP INFORMATION

The consolidated financial statements of the Group comprise the financial statements of BLOM Bank SAL and the following subsidiaries:

Name	Country of incorporation	Activities	Functional currency	% effective equity interest	
				31 December 2025	31 December 2024
				%	%
BANQUE BANORIENT France SA	France	Banking activities	EUR	99.998	99.998
BANQUE BANORIENT (Switzerland) SA	Switzerland	Banking activities	CHF	99.998	99.998
BLOMInvest Bank SAL	Lebanon	Banking activities	LL	99.940	99.940
BLOM Development Bank SAL	Lebanon	Islamic banking activities	LL	99.914	99.914
Arope Insurance SAL	Lebanon	Insurance activities	LL	89.048	89.048
BLOM Egypt Securities SAE	Egypt	Brokerage activities	EGP	50.969	50.969
BLOMInvest – Saudi Arabia (*)	Saudi Arabia	Financial institution	SAR	56.972	56.972
BLOM Bank Qatar LLC	Qatar	Banking activities	QAR	99.750	99.750
Arope Life Insurance Egypt SAE	Egypt	Insurance activities	EGP	71.366	71.366
Arope Insurance of Properties and Responsibilities Egypt SAE	Egypt	Insurance activities	EGP	53.556	53.556
BLOM Securities	Jordan	Financial institution	JOD	100.000	100.000
BLOM Asset Management Company SAL(**)	Lebanon	Investment activities	LL	-	99.997
BLOM SPV Ltd	Cayman Island	Investment activities	US\$	100.000	100.000

(*) On 14 March 2024, the Group sold a 3 % equity interest in the subsidiary BLOMINVEST Saudi Arabia, a mixed joint stock company registered in Riyadh, Kingdom of Saudi Arabia, against a cash consideration of LL 243,258 million. The Group retained control after the transaction, and the subsidiary continues to be fully consolidated. The difference of LL 51,686 million between the consideration received and the net assets attributable to non-controlling interest sold was recognized directly in equity and attributed to the equity holders of the parent.

(**) On 17 November 2025, Blom Asset Management Company SAL was fully liquidated. The impact of this transaction on the Group's consolidated financial position results of operations and equity was not material.

4 MATERIAL PARTLY – OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interests held by non-controlling interests:

	2025	2024
Name	%	%
BLOMInvest – Saudi Arabia	43.028	43.028
Arope Insurance SAL	10.952	10.952

Profit allocated to material non-controlling interests:

	2025	2024
	LL million	LL million
BLOMInvest – Saudi Arabia	925,108	903,004
Arope Insurance SAL	34,460	(239,691)

The summarized financial information of these subsidiaries is provided below.

Summarized statement of comprehensive income

	<i>BLOMInvest</i>		<i>Arope Insurance SAL</i>	
	<i>Saudi Arabia</i>			
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Net interest income	1,582	8,657	310,389	29,538
Net fee and commission income	2,677,886	2,319,253	1,324,754	(332,054)
Net gain from financial instruments at fair value through profit or loss	1,347,598	1,513,260	6,636	430,844
Revenue from financial assets at fair value through other comprehensive income	-	17,396	-	-
Other operating income	79,154	36,092	83,491	69,913
Total operating income	4,106,220	3,894,658	1,725,270	198,241
Net impairment loss on financial assets	-	31	(76,069)	(378,837)
Total operating expenses	(1,585,690)	(1,428,603)	(1,654,965)	(1,800,555)
Net gain on disposal of other assets	115	(424)	63	63
Profit (loss) before tax	2,520,645	2,465,662	(5,701)	(1,981,088)
Income tax expense	(370,630)	(367,019)	(115,360)	(61,491)
Profit (loss) for the year	2,150,015	2,098,643	(121,061)	(2,042,579)
Attributable to non-controlling interests	925,108	903,004	34,460	(239,691)

BLOM Bank SAL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

4 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

Summarized statement of comprehensive income (continued)

	<i>BLOMInvest Saudi Arabia</i>		<i>Arope Insurance SAL</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Total other comprehensive income				
<i>Other comprehensive income that will be reclassified to the income statement in subsequent periods</i>				
<i>Foreign currency translation reserve</i>				
Exchange differences on translation of foreign operations	12,849	7,326,462	75,793	830,915
<i>Other comprehensive income that will not be reclassified to the income statement in subsequent periods</i>				
Net unrealized (loss) gains on financial assets at fair value through other comprehensive income	(391,217)	380,636	-	-
Revaluation of land and buildings	-	-	-	1,403,332
Total other comprehensive income	(378,368)	7,707,098	75,793	2,234,247
Attributable to non-controlling interests	(162,804)	3,314,052	51,524	553,768

Summarized statement of financial position

	<i>BLOMInvest Saudi Arabia</i>		<i>Arope Insurance SAL</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Assets				
Cash and balances with central banks	-	-	105,614	170,363
Due from banks and financial institutions	209,355	408,180	1,137,095	1,376,729
Due from head office and sister banks	642	156	497,274	243,582
Financial assets at fair value through profit or loss	11,882,674	10,221,511	1,059,087	919,413
Net loans and advances at amortized cost	-	-	1,879,342	1,816,585
Financial assets at amortized cost	96,347	96,217	2,363,258	2,130,866
Financial assets at fair value through other comprehensive income	-	435,296	-	-
Property, equipment and right-of-use assets	161,726	118,618	1,553,257	1,593,884
Intangible assets	5,761	5,109	33,497	17,702
Other assets	2,357,070	2,699,394	1,719,529	1,518,983
Total assets	14,713,575	13,984,481	10,347,953	9,788,107

	<i>BLOMInvest Saudi Arabia</i>		<i>Arope Insurance SAL</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Liabilities				
Other liabilities	1,632,507	2,274,034	7,434,266	7,825,337
Provisions for risks and charges	526,992	471,710	2,684,544	1,887,584
Total liabilities	2,159,499	2,745,744	10,118,810	9,712,921
Total shareholders' equity	12,554,076	11,238,737	229,144	75,185
Attributable to non-controlling interests	5,401,768	4,835,804	94,217	8,233

5 SEGMENT REPORTING

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segments are evaluated based on information relating to net operating income and financial position. Income taxes and operating expenses are managed on a group basis and are not allocated to operating segments.

Interest income is reported net, since Management monitors net interest income as a performance measure and not the gross income and expense amounts. Net interest income is allocated to the business segment based on the assumption that all positions are funded or invested via a central funding unit. An internal Funds Transfer Pricing (FTP) mechanism was implemented between operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The assets and liabilities that are reported in the segments are net from inter-segments' assets and liabilities since they constitute the basis of Management's measures of the segments' assets and liabilities and the basis of the allocation of resources between segments.

A) Business segments

The Group operates in four major business segments: treasury, corporate banking, retail banking and asset management and private banking.

Treasury is mostly responsible for the liquidity management and market risk of the Group as well as managing the Group's own portfolio of stocks, bonds and other financial instruments. In addition, this segment provides treasury and investments products and services to investors and other institutional customers.

Corporate banking provides a comprehensive product and service offering to corporate and institutional customers, including loans and other credit facilities, deposits and current accounts, trade finance and foreign exchange operations.

Retail banking provides a diversified range of products and services to meet the personal banking and consumer finance needs of individuals. The range includes deposits, housing loans, consumer loans, credit cards, fund transfers, foreign exchange and other branch related services.

Asset management and private banking provides investment products and services to institutional investors and intermediaries.

The following tables present net operating income, total assets and total liabilities information in respect of the Group's reportable segments.

(i) Net operating income information

	2025				
	<i>Treasury</i>	<i>Corporate</i>	<i>Retail</i>	<i>Asset</i>	<i>Total</i>
	<i>LL million</i>	<i>banking</i>	<i>banking</i>	<i>management</i>	<i>LL million</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>and private</i>	
				<i>banking</i>	
				<i>LL million</i>	
Net interest income	18,168,322	5,555,180	930,291	-	24,653,793
Net fee and commission income	4,927,300	896,556	2,451,751	3,801,254	12,076,861
Net (loss) gain from financial instruments at fair value through profit or loss	744,415	-	(57,470,360)	-	(56,725,945)
Net loss from derecognition of financial assets at amortized cost	(321,399)	-	-	-	(321,399)
Other operating income	-	-	776,582	-	776,582
Net recovery on financial assets	22,601,388	342,441	424,008	-	23,367,837
Discounts on loans	-	(3,761)	(48,988)	-	(52,749)
Net operating income	46,120,026	6,790,416	(52,936,716)	3,801,254	3,774,980

5 SEGMENT REPORTING (continued)

	2024				
	<i>Treasury</i> <i>LL million</i>	<i>Corporate</i> <i>banking</i> <i>LL million</i>	<i>Retail</i> <i>banking</i> <i>LL million</i>	<i>Asset</i> <i>management</i> <i>and private</i> <i>banking</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>
Net interest income	20,427,584	4,358,703	2,027,228	-	26,813,515
Net fee and commission income	3,571,261	596,666	2,302,307	3,206,844	9,677,078
Net gain from financial instruments at fair value through profit or loss	5,965,403	-	18,350,395	-	24,315,798
Revenue from financial assets at fair value through other comprehensive income	17,396	-	-	-	17,396
Other operating income	-	-	1,115,188	-	1,115,188
Net recovery (impairment loss) on financial assets	(184,261)	3,692,400	1,617,777	-	5,125,916
Discounts on loans	-	(43,871)	(205,582)	-	(249,453)
Net operating income	<u>29,797,383</u>	<u>8,603,898</u>	<u>25,207,313</u>	<u>3,206,844</u>	<u>66,815,438</u>

(ii) Financial Position Information

	2025					
	<i>Treasury</i> <i>LL million</i>	<i>Corporate</i> <i>banking</i> <i>LL million</i>	<i>Retail</i> <i>banking</i> <i>LL million</i>	<i>Asset</i> <i>management</i> <i>and private</i> <i>banking</i> <i>LL million</i>	<i>Other</i> ¹ <i>LL million</i>	<i>Total</i> <i>LL million</i>
Total assets	<u>1,469,266,782</u>	<u>80,251,765</u>	<u>18,020,410</u>	<u>16,911</u>	<u>49,001,788</u>	<u>1,616,557,656</u>
Total liabilities	<u>1,365,119,772</u>	<u>74,563,226</u>	<u>16,743,057</u>	<u>1,266</u>	<u>34,066,791</u>	<u>1,490,494,112</u>

	2024 - restated					
	<i>Treasury</i> <i>LL million</i>	<i>Corporate</i> <i>banking</i> <i>LL million</i>	<i>Retail</i> <i>banking</i> <i>LL million</i>	<i>Asset</i> <i>management</i> <i>and private</i> <i>banking</i> <i>LL million</i>	<i>Other</i> ¹ <i>LL million</i>	<i>Total</i> <i>LL million</i>
Total assets	1,505,279,543	69,486,181	16,789,869	464	48,183,722	1,639,739,779
Total liabilities	<u>1,372,055,707</u>	<u>63,336,350</u>	<u>15,303,892</u>	<u>423</u>	<u>48,765,235</u>	<u>1,499,461,607</u>

¹ Other assets include activities related to property, equipment and right-of-use assets, intangible assets, assets obtained in settlement of debt, other assets and goodwill. Other liabilities include provisions for risks and charges, lease liabilities and other credit balances.

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LL 13,272,766 million for the year ended 31 December 2025 (2024: LL 15,770,292 million) arising from time deposits with the Central Bank of Lebanon and financial instruments held by the Group.

The breakdown of interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign is as follows:

	2025 <i>LL million</i>	2024 <i>LL million</i>
Interest and similar income		
Central Bank of Lebanon (note 6 (a) and (b))	13,235,716	15,698,709
Lebanese sovereign (notes 6 (b) and 9)	37,050	71,583
	<u>13,272,766</u>	<u>15,770,292</u>

5 SEGMENT REPORTING (continued)

B) Geographical segments

The Group operates in two geographic markets based on the location of its markets and customers. The domestic market represents the Lebanese market, and the international market represents markets outside Lebanon. The following table shows the distribution of the Group's external net operating income and non-current assets.

	2025		
	<i>Domestic LL million</i>	<i>International LL million</i>	<i>Total LL million</i>
Total operating (loss) income	(40,598,577)	21,058,469	(19,540,108)
Net recovery on financial assets	22,949,377	418,460	23,367,837
Discounts on loans	(52,749)	-	(52,749)
Net operating income¹	(17,701,949)	21,476,929	3,774,980
Non-current assets²	27,147,484	15,260,541	42,408,025
	2024 - restated		
	<i>Domestic LL million</i>	<i>International LL million</i>	<i>Total LL million</i>
Total operating income	51,110,964	10,828,011	61,938,975
Net recovery on financial assets	1,970,544	3,155,372	5,125,916
Discounts on loans	(249,453)	-	(249,453)
Net operating income¹	52,832,055	13,983,383	66,815,438
Non-current assets²	31,106,705	10,719,269	41,825,974

¹ Net operating income is attributed to the geographical segment based on the location where the income is generated.

² Non-current assets consist of property, equipment and right-of-use assets, intangible assets, assets obtained in settlement of debt, and goodwill.

6 INTEREST AND SIMILAR INCOME

	2025	2024
	<i>LL million</i>	<i>LL million</i>
Balances with central banks (a)	14,620,017	17,569,080
Due from banks and financial institutions	6,132,704	6,588,942
Loans and advances to customers at amortized cost	6,831,690	6,784,888
Loans and advances to related parties at amortized cost	23,775	19,629
Financial assets at amortized cost (b)	4,762,641	4,588,651
Financial assets at fair value through OCI	2,134	101,957
Less: tax on interest income (c)	(937,398)	(1,115,051)
	31,435,563	34,538,096

(a) Included under interest and similar income from balances with central banks, an amount of LL 12,618,189 million (2024: LL 14,615,390 million) from balances with the Central Bank of Lebanon (note 5).

(b) Included under interest and similar income from financial assets at amortized cost, an amount of LL 617,527 million and LL 37,049 million from Certificates of deposits with the Central Bank of Lebanon and Lebanese treasury bills respectively (2024: of LL 1,083,319 million and LL 71,562 million respectively) (note 5).

6 INTEREST AND SIMILAR INCOME (continued)

(c) Tax on interest income for the years ended 31 December 2025 and 2024 are as follows:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Balances with central banks	884,192	1,024,662
Due from banks and financial institutions	-	6,421
Financial assets at amortized cost	53,206	83,968
	<u>937,398</u>	<u>1,115,051</u>

7 INTEREST AND SIMILAR EXPENSE

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Due to central banks	178,207	292,142
Due to banks and financial institutions	260,942	343,156
Customers' deposits at amortized cost	6,319,997	7,061,773
Deposits from related parties at amortized cost	8,097	10,932
Lease liabilities	14,527	16,578
	<u>6,781,770</u>	<u>7,724,581</u>

8 NET FEE AND COMMISSION INCOME

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Fee and commission income		
General banking income	5,489,827	4,784,194
Asset management and private banking	2,331,958	1,977,266
Electronic banking	2,190,427	1,798,226
Insurance brokerage income	1,224,591	278,332
Brokerage and custody income	1,025,846	1,306,994
Trade finance	579,935	392,841
Credit-related fees and commissions	563,819	449,365
Trust and fiduciary activities	86,499	70,581
Other fees and commissions	1,841,428	1,596,206
	<u>15,334,330</u>	<u>12,654,005</u>
Fee and commission expense		
Electronic banking	(1,108,980)	(723,541)
Insurance brokerage fees	(693,430)	(583,012)
General banking expenses	(649,025)	(602,212)
Brokerage and custody fees	(87,851)	(77,697)
Other fees and commissions	(718,183)	(990,465)
	<u>(3,257,469)</u>	<u>(2,976,927)</u>
	<u>12,076,861</u>	<u>9,677,078</u>

9 NET (LOSS) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Interest and similar income from debt instruments and other financial assets at fair value through profit or loss:		
- Banks and financial institutions debt instruments	1,383,666	932,556
- Funds	29,821	13,128
- Government debt securities (*)	43,764	35,076
	1,457,251	980,760
Net gain from sale of debt instruments and other financial assets at fair value through profit or loss:		
- Funds	1,056,041	195,873
- Banks and financial institutions debt instruments	(260,955)	28,993
- Options	(7)	(17)
- Government debt securities	20	(2,201)
	795,099	222,648
Net unrealized gain from revaluation of debt instruments and other financial assets at fair value through profit or loss:		
- Funds	131,323	864,522
- Banks and financial institutions debt instruments	1,026,634	(5,604)
- Government debt securities	8,508	11,224
- Other	83,539	(318)
	1,250,004	869,824
Net gain from debt instruments and other financial assets at fair value through profit or loss	3,502,354	2,073,232
Net (loss) gain from equity instruments at fair value through profit or loss:		
- Unrealized (loss) gain from revaluation	(2,830,143)	2,714,513
- Realized (loss) gain from sale	(59,037)	1,106,332
- Dividend income	131,240	71,327
	(2,757,940)	3,892,172
Foreign exchange (loss) gain, net (**)	(57,470,359)	18,350,394
	(56,725,945)	24,315,798

Foreign exchange loss includes gains and losses from spot and forward contracts, other currency derivatives and the revaluation of the daily open trading and structural positions.

(*) Included under interest and similar income from government debt securities an amount of LL 1 million from Lebanese government securities (2024: LL 21 million) (note 5).

(**) In order to manage its US\$/LL FX position, the Bank engaged in the following transactions:

- During 2025, the Group sold the Central Bank of Lebanon the local foreign currencies previously purchased from its customers, resulting in a net loss of LL 13,632 million recorded in the consolidated income statement (2024: loss of LL 927,701 million).

During 2024, the Bank recognized a provision for risks and charges totaling LL 10,802,500 million, classified under “foreign exchange (loss) gain, net” in the consolidated income statement. This amount represents the anticipated loss from the sale of US\$ 145 million in local Dollar to the Central Bank of Lebanon at an exchange rate of LL 15,000, which occurred during 2025. During 2025, the amount provided was fully utilized against the foreign exchange loss recognized during 2024.

9 NET (LOSS) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

In addition, during 2025, the Group sold US\$ 967 Million in local Dollar to the Central Bank of Lebanon at an exchange rate of LL 15,000 resulting in a loss of LL 72,049,098 million recognized under “foreign exchange (loss) gain, net”.

- During 2024, the Bank executed a transaction involving the sale of 50 million local US dollars, using a multiplier factor as these were exchanged in Lebanese Lira at an exchange rate of LL 8,950 per US dollar by one of its clients. The client had previously deposited an amount of 5 million US dollars transferrable, which was subsequently sold to the Bank at the official published exchange rate. As a result, for the year ended 31 December 2024, the Bank recognized a difference of exchange loss amounting to LL 4,027,500 million recorded under “foreign exchange (loss) gain, net” in the consolidated income statement. These transactions were queried by the regulator, whereby the latter has instructed the Bank to discontinue entering into such transactions going forward. No penalties or sanctions were imposed on the Bank as a result of these transactions.

10 OTHER OPERATING INCOME

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Write back of provisions for risks and charges (note 33(iv))	-	609,931
Other income	776,582	505,257
	<u>776,582</u>	<u>1,115,188</u>

11 NET RECOVERY ON FINANCIAL ASSETS

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Re-measurements:		
Balances with central banks	(37)	(23,628)
Banks and financial institutions	(126,298)	(182,382)
Loans and advances to customers at amortized cost- Commercial loans	(1,242,595)	(851,251)
Loans and advances to customers at amortized cost- Consumer loans	(627,458)	(571,511)
Loans and advances to related parties at amortized cost	(83)	-
Debtors by acceptances	(187)	(25)
Financial assets at amortized cost	(118)	(6,318)
Financial guarantees and commitments	(6,757)	(16,957)
	<u>(2,003,533)</u>	<u>(1,652,072)</u>
Provision of sundry debtors (note 26)	-	(5,677)
	<u>(2,003,533)</u>	<u>(1,657,749)</u>
Recoveries:		
Balances with central banks	22,375,000	6
Banks and financial institutions	3,031	27,114
Loans and advances to customers at amortized cost- Commercial loans	1,338,662	4,199,499
Loans and advances to customers at amortized cost- Consumer loans	1,051,549	2,189,223
Loans and advances to related parties at amortized cost	-	65
Financial assets at amortized cost	349,811	946
Debtors by acceptances	175	21
Financial guarantees and commitments	17,639	1,609
	<u>25,135,867</u>	<u>6,418,483</u>
Recoveries of debts previously written off	<u>235,503</u>	<u>365,182</u>
	<u>23,367,837</u>	<u>5,125,916</u>

12 PERSONNEL EXPENSES

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Salaries and related charges	5,226,822	4,853,590
Social security contributions	1,032,317	902,120
Retirement benefits obligation (note 33)	843,688	2,177,175
Additional allowances	1,912,071	1,559,057
Bonuses	2,359,396	1,828,719
	<u>11,374,294</u>	<u>11,320,661</u>

13 OTHER OPERATING EXPENSES

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Professional fees	973,209	893,038
Maintenance and repairs	800,374	763,179
Provision for risks and charges (note 33)	640,105	83,598
Fee for guarantee of deposits	471,495	543,301
Information technology	429,719	356,448
Postage and telecommunications	410,276	377,704
Electricity and fuel	346,069	346,919
Marketing and advertising	316,878	338,947
Rent and related charges	303,598	272,078
Taxes and fees	248,149	241,072
Guarding and transportation expenses	231,193	242,372
Gifts and donations	223,327	135,564
Subscriptions	220,105	187,609
Stationary and printings	176,881	143,712
Board of directors' attendance fees	105,576	99,186
Insurance	83,952	101,458
Fiscal stamps	74,008	46,769
Travel expenses	73,879	80,120
Card expenses	37,989	56,383
Net impairment of assets obtained in settlement of debt (note 25)	13,863	11,352
Entertainment expenses	3,160	3,270
Others	582,939	649,798
	<u>6,766,744</u>	<u>5,973,877</u>

14 INCOME TAX EXPENSE

The tax rates applicable to the parent and subsidiaries vary from 0% to 40% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense and are based on the current understanding of the existing tax laws and regulations and tax practices.

14 INCOME TAX EXPENSE (continued)

The components of income tax expense for the years ended 31 December 2025 and 2024 are as follows:

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
<i>Current tax</i>		
Current income tax expense	1,154,396	4,904,354
Adjustments in respect of current income tax of previous years	944,219	(1,054,017)
Deferred income tax expense (*)	370,251	956,707
	2,468,866	4,807,044

(*) Deferred income tax expense is recognized on 10% of the Bank's share of the profits from its non-resident subsidiaries, representing the estimated withholding tax payable upon distribution of dividends from those subsidiaries.

Unremitted earnings

No deferred tax liability has been recognized in respect of a further LL 38,886,664 million (2024: the same) of unremitted earning of Banque Banorient France SA because the Group will not reverse such differences in the foreseeable future. It is not practicable to estimate the amount of unrecognized deferred tax liabilities in respect if these unremitted earnings.

The components of operating profit before tax, and the differences between income tax expense reflected in the consolidated financial statements and the amounts calculated at the Lebanese tax rate, are shown in the table below:

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Profit before income tax from continuing operations	(15,945,887)	48,641,120
Less: Results of differently taxed subsidiaries	(93,731)	(7,958,973)
Accounting profit before income tax	(16,039,618)	40,682,147
Add:		
Non-tax deductible provisions	964,417	346,921
Unrealized losses from revaluation of debt instruments and other financial assets at fair value through profit or loss	1,901,476	-
Other non-tax deductible charges	623,595	1,081,772
	(12,550,130)	42,110,840
Less:		
Unrealized gains from revaluation of debt instruments and other financial assets at fair value through profit or loss	-	(2,868,038)
Remunerations already taxed	(296,000)	(165,000)
Release of provisions previously subject to income tax	(14,600,507)	(1,125,925)
Net gain on disposal of fixed assets	-	(44,695)
Other non-taxable income	(4,072,937)	(1,223,614)
Foreign exchange (loss) gain, net	-	(16,809,631)
Taxable profit	(31,519,574)	19,873,937
Income tax expense at 17%	-	3,401,232
Income tax expense of differently taxed subsidiaries	1,154,396	1,503,122
	1,154,396	4,904,354

15 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of common shares outstanding during the year. The Bank does not have arrangements that might result in dilutive shares. As such, dilutive earnings per share was not separately calculated. The following table shows the income and share data used to calculate earnings per share:

	2025	<i>2024 – restated</i>
(Loss) profit attributable to equity holders of the Bank (in LL million)	(19,369,362)	43,203,302
Weighted average number of shares outstanding	214,724,336	214,724,336
Basic and diluted (loss) earnings per share (in LL)	(90,206)	201,204

There were no transactions involving common shares or potential common shares between the reporting date and the date of the completion of these consolidated financial statements which would require the restatement of earnings per share.

16 CASH AND BALANCES WITH CENTRAL BANKS

	2025	<i>2024</i>
	LL million	<i>LL million</i>
<i>Cash on hand</i>	12,298,671	11,571,860
<i>Central Bank of Lebanon</i>		
Current accounts	321,369,048	319,035,508
Time deposits	829,596,768	924,083,450
Accrued interest	3,112,483	3,430,458
	1,154,078,299	1,246,549,416
<i>Other Central Banks</i>		
Current accounts	29,555,720	38,244,701
Time deposits	31,390,783	39,353,645
Accrued interest	3,433	6,905
	60,949,936	77,605,251
	1,227,326,906	1,335,726,527
Less: allowance for expected credit losses (note 45.2.10)	(82,937,180)	(105,303,721)
	1,144,389,726	1,230,422,806

During 2019, the Group and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities which were all settled on a net basis in prior years. As at 31 December 2025, financial assets under balances with central banks and financial liabilities under due to central banks that were settled on a net basis amounted to LL 7,379,241 million (2024: the same) (note 28).

16 CASH AND BALANCES WITH CENTRAL BANKS (continued)

Obligatory reserves:

- In accordance with the regulations of the Central Bank of Lebanon, banks operating in Lebanon are required to deposit with the Central Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Lira. This is not applicable for investment banks which are exempted from obligatory reserve requirements on commitments denominated in Lebanese Lira. Additionally, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon non interest-bearing placements representing 11% (2024: 14%) of total deposits in foreign currencies regardless of nature.
- Subsidiary banks operating in foreign countries are also subject to obligatory reserve requirements determined based on the banking regulations of the countries in which they operate.

The following table summarizes the Group's placements in central banks available against the obligatory reserves as of 31 December:

	<i>2025</i>		
	<i>Lebanese Lira LL million</i>	<i>Foreign currency LL million</i>	<i>Total LL million</i>
Obligatory reserve			
Central Bank of Lebanon	3,409,903	123,781,825	127,191,728
Other central banks	-	10,968,806	10,968,806
	<u>3,409,903</u>	<u>134,750,631</u>	<u>138,160,534</u>
	<i>2024</i>		
	<i>Lebanese Lira LL million</i>	<i>Foreign currency LL million</i>	<i>Total LL million</i>
Obligatory reserve			
Central Bank of Lebanon	2,178,413	162,420,080	164,598,493
Other central banks	-	11,066,223	11,066,223
	<u>2,178,413</u>	<u>173,486,303</u>	<u>175,664,716</u>

17 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	<i>2025 LL million</i>	<i>2024 LL million</i>
Current accounts	21,844,468	19,411,165
Time deposits	129,457,981	103,842,424
	<u>151,302,449</u>	<u>123,253,589</u>
Less: allowance for expected credit losses (note 45.2.10)	<u>(388,118)</u>	<u>(264,827)</u>
	<u>150,914,331</u>	<u>122,988,762</u>

18 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivatives for trading and for risk management purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of neither the market risk nor the credit risk.

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate, commodity index or equity index.

Interest rate swaps relate to contracts taken out by the Group with other counterparties (customers and financial institutions) in which the Group either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

The Group has positions in the following types of derivatives:

	2025			2024		
	<i>Assets</i> <i>LL million</i>	<i>Liabilities</i> <i>LL million</i>	<i>Total</i> <i>notional</i> <i>amount</i> <i>LL million</i>	<i>Assets</i> <i>LL million</i>	<i>Liabilities</i> <i>LL million</i>	<i>Total</i> <i>notional</i> <i>amount</i> <i>LL million</i>
Derivatives held-for-trading						
Forward foreign exchange contracts	73,133	74,791	12,252,899	5,243	61,284	21,252,331
Equity swaps and options	43,132	43,132	1,687,574	8,196	8,196	11,187,310
Currency swaps	1,986	8,767	2,876,787	80,148	3,707	2,973,236
	<u>118,251</u>	<u>126,690</u>	<u>16,817,260</u>	<u>93,587</u>	<u>73,187</u>	<u>35,412,877</u>

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments held-for-trading purposes

Most of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for hedging purposes which do not meet the IFRS 9 hedge accounting criteria.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
<i>Lebanese sovereign and Central Banks</i>		
Treasury bills and bonds	16,106	7,892
<i>Other sovereign and central banks</i>		
Treasury bills and bonds	1,064,157	885,379
<i>Private sector and other securities</i>		
Banks and financial institutions debt instruments	33,351,307	23,329,430
Equity instruments	10,358,708	12,360,969
Funds	10,702,409	9,953,315
	54,412,424	45,643,714
	55,492,687	46,536,985

20 NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Commercial loans	100,369,745	89,275,975
Consumer loans	24,338,395	23,974,472
	124,708,140	113,250,447
Less: allowance for expected credit losses (note 45.2.10)	(27,553,381)	(27,790,296)
	97,154,759	85,460,151

In accordance with the Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off financial position accounts. The gross balance of these loans amounted to LL 50,468,325 million as of 31 December 2025 (2024: LL 47,301,423 million).

The Group provided discounts to customers who settled of loans and advances. Discounts amounting to LL 52,749 million, out of which LL 3,761 million for commercial loans and LL 48,988 million for retail loans, were recognized in the consolidated income statement for the year ending 31 December 2025 (2024: LL 249,453 million, out of which LL 43,871 million for commercial loans and LL 205,582 million for retail loans).

21 FINANCIAL ASSETS AT AMORTIZED COST

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Lebanese sovereign and Central Bank of Lebanon		
Treasury bills and bonds (*)	416,402	600,811
Certificates of deposits	36,025,388	36,025,383
	<u>36,441,790</u>	<u>36,626,194</u>
Other sovereign and central banks		
Treasury bills and bonds	43,037,926	31,378,124
Private sector and other securities		
Banks and financial institutions debt instruments	40,236,680	38,717,505
	<u>40,236,680</u>	<u>38,717,505</u>
Less: allowance for expected credit losses (note 45.2.10)	(2,131,535)	(2,322,778)
	<u>117,584,861</u>	<u>104,399,045</u>

(*) As at 31 December 2025, Lebanese treasury bills amounting to LL 409,328 million with maturities ranging between 2026 and 2033 were pledged against term borrowing granted from the Central Bank of Lebanon with the same value (2024: LL 585,818 million maturing between 2025 and 2033) (note 28).

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Private sector and other securities		
Corporate debt securities	339,694	-
Equity instruments (a)	427,232	838,357
	<u>766,926</u>	<u>838,357</u>

(a) During the year ended 31 December 2025, dividend income from equity instruments is nil (2024: LL 17,396 million).

23 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	<i>Freehold land and buildings LL million</i>	<i>Vehicles LL million</i>	<i>Furniture, office installations and computer equipment LL million</i>	<i>Advances on acquisition of fixed assets and construction in progress LL million</i>	<i>Right-of-use assets LL million</i>	<i>Total LL million</i>
Cost:						
At 1 January 2025	39,867,190	333,868	20,859,925	19,989	434,841	61,515,813
Additions	1,331	31,248	505,062	73,674	53,482	664,797
Disposals	-	(31,521)	(367,917)	-	-	(399,438)
Transfers	-	10,617	6,246	(16,863)	-	-
Other movement	-	-	-	-	(15,803)	(15,803)
Revaluation recognized in OCI	717,200	10,745	190,154	-	-	918,099
Translation difference	722,043	14,450	283,346	(13)	326	1,020,152
At 31 December 2025	41,307,764	369,407	21,476,816	76,787	472,846	63,703,620
Depreciation:						
At 1 January 2025	9,130,998	300,985	16,678,785	-	206,057	26,316,825
Charge for the year	623,361	12,284	745,636	-	69,614	1,450,895
Relating to disposals	-	(28,569)	(322,002)	-	-	(350,571)
Other movement	-	-	-	-	(15,803)	(15,803)
Revaluation recognized in OCI	76,098	10,745	146,793	-	-	233,636
Translation difference	202,066	13,693	232,253	-	(17)	447,995
At 31 December 2025	10,032,523	309,138	17,481,465	-	259,851	28,082,977
Net carrying value:						
At 31 December 2025	31,275,241	60,269	3,995,351	76,787	212,995	35,620,643

	<i>Freehold land and buildings LL million</i>	<i>Vehicles LL million</i>	<i>Furniture, office installations and computer equipment LL million</i>	<i>Advances on acquisition of fixed assets and construction in progress LL million</i>	<i>Right-of-use assets LL million</i>	<i>Total LL million</i>
Cost:						
At 1 January 2024	2,563,827	25,761	1,086,654	17,336	65,273	3,758,851
Adjustments related to prior years (Note 2.6)	3,880,607	29,883	2,440,113	-	-	6,350,603
At 1 January 2024 – restated	6,444,434	55,644	3,526,767	17,336	65,273	10,109,454
Revaluation recognized in OCI	1,403,332	-	-	-	-	1,403,332
Additions	17,759	27,126	292,045	18,801	123,472	479,203
Disposals	(1,120,119)	(15,140)	(291,742)	(1,657)	-	(1,428,658)
Transfers	-	-	14,948	(14,808)	-	140
Write-offs	-	-	(471)	-	-	(471)
Other movement	-	-	-	-	(77,922)	(77,922)
Revaluation recognized in OCI	23,570,821	165,003	13,559,479	-	-	37,295,303
Translation difference	9,550,963	101,235	3,758,899	317	324,018	13,735,432
At 31 December 2024	39,867,190	333,868	20,859,925	19,989	434,841	61,515,813
Depreciation:						
At 1 January 2024	426,434	22,592	879,165	-	36,946	1,365,137
Adjustments related to prior years (Note 2.6)	958,896	29,517	1,855,580	-	-	2,843,993
At 1 January 2024 – restated	1,385,330	52,109	2,734,745	-	36,946	4,209,130
Charge for the year	252,233	13,304	292,750	-	63,479	621,766
Relating to disposals	(25,524)	(15,140)	(291,525)	-	-	(332,189)
Other movement	-	-	-	-	(77,922)	(77,922)
Relating to write-off	-	-	(462)	-	-	(462)
Revaluation recognized in OCI	6,019,166	163,643	10,698,043	-	-	16,880,852
Translation difference	1,499,793	87,069	3,245,234	-	183,554	5,015,650
At 31 December 2024	9,130,998	300,985	16,678,785	-	206,057	26,316,825
Net carrying value:						
At 31 December 2024	30,736,192	32,883	4,181,140	19,989	228,784	35,198,988

23 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Freehold land and buildings with a carrying value of LL 20,415,436 million (2024: LL 20,799,832 million) are subject to restriction on disposal.

Revaluation of freehold land and buildings

Fair value of the land and buildings and freehold improvements was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions properties of similar nature, location and condition. As at the date of revaluation, the properties' fair values are based on valuations carried out by independent valuers accredited by the local regulators in the countries in which the properties are situated. Gain from Level 3 revaluation of LL 21,817,783 million in 2024 was recognized in other comprehensive income.

Significant unobservable valuation input

In accordance with the Central Bank of Lebanon's Intermediate Circular 659 issued on 20 January 2023, banks may revalue their properties in US Dollar and translate the revalued amount to LL at the Sayrafa exchange rate at 31 December. The price above is based on the Sayrafa exchange rate of LL 89,500 to the US Dollar.

Valuation techniques used consist of market comparable approach and key inputs used consist of price per square meter. Significant increase (decrease) in the estimated price per square meter in isolation would result in significantly higher (lower) fair value on a linear basis.

24 INTANGIBLE ASSETS

	<i>Computer software</i> LL million	<i>Key money</i> LL million	<i>Advances on acquisition of intangible assets</i> LL million	<i>Total</i> LL million
Cost				
At 1 January 2025	1,905,464	187,143	12,298	2,104,905
Additions	120,560	-	16,638	137,198
Disposals	(8,887)	-	(2,814)	(11,701)
Revaluation recognized in OCI	780	-	-	780
Translation difference	131,440	12,277	956	144,673
At 31 December 2025	<u>2,149,357</u>	<u>199,420</u>	<u>27,078</u>	<u>2,375,855</u>
Amortization				
At 1 January 2025	1,688,514	187,143	-	1,875,657
Charge for the year	136,902	-	-	136,902
Relating to disposals	(8,887)	-	-	(8,887)
Translation difference	123,183	12,277	-	135,460
At 31 December 2025	<u>1,939,712</u>	<u>199,420</u>	<u>-</u>	<u>2,139,132</u>
Net carrying value				
At 31 December 2025	<u>209,645</u>	<u>-</u>	<u>27,078</u>	<u>236,723</u>

24 INTANGIBLE ASSETS (continued)

	<i>Computer software LL million</i>	<i>Key money LL million</i>	<i>Advances on acquisition of intangible assets LL million</i>	<i>Total LL million</i>
Cost				
At 1 January 2024	165,901	21,316	275	187,492
Adjustments related to prior years (Note 2.6)	70,987	73,693	-	144,680
At 1 January 2024 – restated	236,888	95,009	275	332,172
Additions	200,613	-	10,658	211,271
Disposals	(16,070)	-	-	(16,070)
Other movement	(16)	-	-	(16)
Revaluation recognized in OCI	798,863	-	-	798,863
Translation difference	685,186	92,134	1,365	778,685
At 31 December 2024	1,905,464	187,143	12,298	2,104,905
Amortization				
At 1 January 2024	150,430	21,316	-	171,746
Adjustments related to prior years (Note 2.6)	70,989	73,693	-	144,682
At 1 January 2024 – restated	221,419	95,009	-	316,428
Charge for the year	68,935	-	-	68,935
Relating to disposals	(15,013)	-	-	(15,013)
Other movement	(16)	-	-	(16)
Revaluation recognized in OCI	798,861	-	-	798,861
Translation difference	614,328	92,134	-	706,462
At 31 December 2024	1,688,514	187,143	-	1,875,657
Net carrying value				
At 31 December 2024	216,950	-	12,298	229,248

25 ASSETS OBTAINED IN SETTLEMENT OF DEBT

	<i>2025 LL million</i>	<i>2024 LL million Restated (Note 2.6)</i>
Cost:		
At 1 January	6,421,406	175,034
Additions	665,850	3,882,670
Disposals	(563,455)	(219,738)
Revaluation recognized in OCI	38,068	1,891,344
Translation difference	29,454	692,096
At 31 December	6,591,323	6,421,406
Impairment:		
At 1 January	(26,801)	(2,844)
Charge for the year (note 13)	(13,863)	(11,352)
Translation difference	-	(12,605)
At 31 December	(40,664)	(26,801)
Net carrying value:		
At 31 December	6,550,659	6,394,605

Assets obtained in settlement of debt amounting to LL 1,925,537 million (2024: the same) are subject to restriction on disposal.

BLOM Bank SAL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

26 OTHER ASSETS

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Sundry debtors (i)	1,563,313	930,998
Reinsurer's share of technical reserves	1,330,269	1,200,761
Prepaid expenses	404,565	411,949
Other revenues to be collected	345,514	283,736
Insurer deferred acquisition cost	224,022	161,957
Customers' transactions between head office and branches	28,902	11,283
Compulsory deposits (ii)	19,699	18,707
Precious metals and stamps	10,270	7,355
Other assets	2,680,987	3,331,454
	6,607,541	6,358,200

(i) Sundry debtors

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Sundry debtors	1,856,855	1,218,139
Less: provision against sundry debtors	(293,542)	(287,141)
	1,563,313	930,998

The movement of provision against sundry debtors is summarized as follows:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Balance at 1 January	287,141	47,698
Provisions	-	5,677
Write off of provision during the year	-	4,948
Translation difference	6,401	228,818
Balance at 31 December	293,542	287,141

(ii) Compulsory deposits represent amounts deposited with local authorities based on local regulations of the countries in which the subsidiaries are located, and are detailed as follows:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
BLOM Invest Bank SAL	1,500	1,500
BLOM Development Bank SAL	4,500	4,500
BANQUE BANORIENT France SA	10,523	9,534
BLOM Securities	3,176	3,173
	19,699	18,707

27 GOODWILL

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Cost:		
At 1 January	112,268	114,267
Translation difference	-	(1,999)
At 31 December	112,268	112,268
Impairment:		
At 1 January / 31 December	(109,135)	(109,135)
Net book value:		
At 31 December	3,133	3,133

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to group of cash-generating units, which are also reportable segments, for impairment testing as follows:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Asset management and private banking – Switzerland	2,363	2,363
BLOM Securities - Jordan	770	770
	3,133	3,133

28 DUE TO CENTRAL BANKS

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Central Bank of Lebanon		
Subsidized loans (a)	1,014,837	1,407,314
Term borrowings under leverage arrangements (b)	409,328	585,818
Other Central Banks:		
Term borrowings (c)	3,994,669	3,280,631
Accrued interest payable	46,451	62,302
	5,465,285	5,336,065

(a) Following the Central Bank of Lebanon issued Intermediary Circulars, the Central Bank of Lebanon offered the commercial banks facilities up to a ceiling of LL 1,500 billion to be granted to customers and with a time limit ending on 15 October 2017. Facilities obtained are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2018.

(b) As at 31 December 2025, term borrowings under leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in Lebanese Lira, bearing an interest rate of 2% per annum and having maturities ranging between 2027 and 2033, fully invested in pledged Lebanese treasury bills earning coupon rates ranging between 6.5% per annum and 10.5%.

28 DUE TO CENTRAL BANKS (continued)

The below tables summarize the leverage arrangements and related financial assets covered by enforceable netting arrangements (financial collateral) but do not qualify for netting under the requirements of IAS 32:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Leverage arrangements		
Gross amounts	409,328	585,818
<i>Financial collateral</i>		
Lebanese treasury bills (note 21)	409,328	585,818

During 2019, the Group and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities which were all settled on a net basis in prior years. As at 31 December 2025, financial assets under balances with central banks and financial liabilities under due to central banks that were settled on a net basis amounted to LL 7,379,241 million (2024: the same) (note 16).

- (c) These term borrowings represent amounts borrowed from the Central Bank of Jordan that were re-lent to the small and medium enterprises (SMEs) sector at an interest rate of 6.5%–7% for the year ending 31 December 2025 and 31 December 2024 respectively. Advances were obtained from the Central Bank of Jordan (medium-term loans for licensed banks) under the Central Bank of Jordan’s program to support developmental economic sectors. The amount borrowed from the Central Bank reached LL 942,219 million as of 31 December 2025, and it was re-lent at an interest rate of 3%–4% (2024: LL 298,406 million).

29 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Current accounts	2,577,809	5,389,361
Time deposits	6,267,375	4,612,690
	8,845,184	10,002,051

30 CUSTOMERS' DEPOSITS AT AMORTIZED COST

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Sight deposits	592,787,892	561,803,514
Time deposits	472,449,543	475,993,923
Saving accounts	367,048,093	387,444,583
Credit accounts and deposits against debit accounts	6,486,379	6,425,442
Margins on letters of credit	818,277	824,098
	1,439,590,184	1,432,491,560

Customers' deposits include coded deposit accounts in BLOM Bank SAL and BLOM Invest Bank SAL amounting to LL 3,357 million as of 31 December 2025 (2024: LL 5,114 million).

31 CUSTOMERS' ACCEPTANCES

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). As at 31 December 2025, debtors by acceptance amounted to LL 561,609 million (2024: LL 517,443 million). The commitments resulting from these acceptances are stated as a liability in the consolidated statement of financial position and amounted to LL 562,282 million as at 31 December 2025 (2024: LL 518,258 million).

32 OTHER LIABILITIES

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Bankers' drafts (a)	7,843,043	7,503,759
Liabilities related to insurance activities	5,382,957	5,772,680
Sundry creditors	4,154,936	5,423,278
Accrued expenses	3,914,388	3,898,691
Current tax liabilities	1,543,969	4,850,520
Deferred tax liabilities	1,013,584	956,707
Other taxes due	605,919	756,367
Lease liabilities (b)	131,612	247,617
Dividends payable	10,319	10,319
Other liabilities (c)	2,531,893	2,931,862
	27,132,620	32,351,800

(a) Bankers' drafts as at 31 December consist of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other banks.

(b) Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December 2025:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Balance at 1 January	247,617	33,754
Additions	13,765	68,593
Interest expense	14,527	16,578
Other movement	(42,725)	(38,868)
Paid during the year	(101,776)	-
Translation difference	204	167,560
	131,612	247,617

(c) Other liabilities include unclaimed balances on early redemption of certificates of deposit amounting to LL 2,237,347 million as of 31 December 2025 (2024: LL 2,256,027 million).

33 PROVISIONS FOR RISKS AND CHARGES

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Retirement benefits obligation (ii)	4,089,837	3,844,325
Provision for outstanding claims and IBNR reserves related to subsidiary - insurance companies (iii)	1,731,856	1,417,026
Provision for risks and charges (iv)	835,274	276,092
Provisions for ECL on financial guarantees and commitments	275,423	71,934
Provision on commitment by signature	1,581	1,402
Provision for foreign currency fluctuation (i)	156	10,802,656
	<u>6,934,127</u>	<u>16,413,435</u>

(i) Provision for foreign currency fluctuation

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Balance at 1 January	10,802,656	156
Utilized during the year (note 9)	(10,802,500)	
Charge for the year (note 9)	-	10,802,500
Balance at 31 December	<u>156</u>	<u>10,802,656</u>

(ii) Retirement benefits obligation

Entities operating in Lebanon have two defined benefit plans covering all their employees. The first requires contributions to be made to the National Social Security Fund whereby the entitlement to and level of these benefits depend on the employees' length of service, as well as on the employees' salaries and contributions paid to the fund among other requirements. Under the second plan, no contributions are required to be made, however a fixed end-of-service lump sum amount should be paid for long service employees. The entitlement to and level of these end-of-service benefits provided depend on the employees' length of service, salaries and other requirements outlined in the Workers' Collective Agreement. Defined benefit plans for employees at foreign branches and countries are set in line with the laws and regulations of the respective countries in which they are located.

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Balance at 1 January	3,844,325	1,139,981
Provision during the year (note 12)	843,688	2,177,175
Benefits paid	(619,333)	(36,000)
Exchange difference	21,157	563,169
Balance at 31 December	<u>4,089,837</u>	<u>3,844,325</u>

(iii) Provision for outstanding claims and IBNR reserves related to subsidiary- insurance companies

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Balance at 1 January	1,417,026	384,170
Charge for the year	339,844	130,452
Recoveries	(34,669)	(270,642)
Exchange difference	9,655	1,173,046
Balance at 31 December	<u>1,731,856</u>	<u>1,417,026</u>

33 PROVISIONS FOR RISKS AND CHARGES (continued)

(iv) Provision for risks and charges

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Balance at 1 January	276,092	142,375
Charge for the year (note 13)	640,105	83,598
Provisions written-back during the year (note 10)	-	(609,931)
Provisions paid during the year	(79,181)	(36,108)
Other movement	(2,874)	(1,850)
Exchange difference	1,132	698,008
Balance at 31 December	<u>835,274</u>	<u>276,092</u>

34 SHARE CAPITAL AND PREMIUM

	<i>2025</i>		<i>2024</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Share capital</i>	<i>Share premium</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Common shares – Authorized, issued and fully paid				
215,000,000 shares at LL 1,500 per share	<u>322,500</u>	<u>374,059</u>	<u>322,500</u>	<u>374,059</u>

All of the Bank's common shares are listed in the Beirut Stock Exchange starting 20 June 2008. Out of the total common shares, 73,896,010 shares are listed as Global Depository Receipts (GDRs) in the Luxembourg Stock Exchange. On 23 October 2020, the Bank announced that it has applied for the withdrawal of its Global Depository Shares from trading on the EUROMTF and the Official List of Luxembourg Stock Exchange with effect from 24 November 2020. Moreover, the GDSs and its underlying shares will continue to trade on the Beirut Stock Exchange. Noting that the Global Depository receipt programme (GDR) will continue to operate and all GDSs will remain outstanding.

In accordance with the Central Bank of Lebanon Intermediate Circulars 616, 659, 676, 726 and 741 no dividends were distributed from 2019, 2020, 2021, 2022, 2023, 2024 and 2025 profits.

35 NON-DISTRIBUTABLE RESERVES

	<i>Non-distributable general reserves</i>	<i>Reserve for general banking risks</i>	<i>Legal reserve</i>	<i>Reserve appropriated for capital increase</i>	<i>Other reserves</i>	<i>Total</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
At 1 January 2024	1,093,976	6,962	720,136	160,866	44,590	2,026,530
Transfer from retained earnings to non-distributable reserves	545,521	-	-	-	-	545,521
Transfer between non-distributable reserves and reserves appropriated for capital increase	(503,637)	-	-	503,637	-	-
Appropriation of 2023 profits	82,999	-	358,008	9,013	-	450,020
Other	-	-	(1,539)	258	(68)	(1,349)
At 31 December 2024	<u>1,218,859</u>	<u>6,962</u>	<u>1,076,605</u>	<u>673,774</u>	<u>44,522</u>	<u>3,020,722</u>
Transfer from non-distributable reserves to retained earnings	(807,163)	-	-	-	-	(807,163)
Transfer between non-distributable reserves and reserve appropriated for capital increase	(59)	-	-	59	-	-
Transfer from distributable reserves to non-distributable reserves	102,213	-	-	-	-	102,213
Appropriation of 2024 profits	2,880,513	-	4,838,977	23,453	-	7,742,943
At 31 December 2025	<u>3,394,363</u>	<u>6,962</u>	<u>5,915,582</u>	<u>697,286</u>	<u>44,522</u>	<u>10,058,715</u>

35 NON-DISTRIBUTABLE RESERVES (continued)

Non-distributable general reserves

According to the Central Bank of Lebanon Main Circular 143, Banks in Lebanon are required to transfer to “Non-distributable general reserves”, the balance of “Reserve for general banking risks” and “Reserve for retail loans” previously appropriated in line with the requirements of decision 7129 and decision 7776 respectively. This reserve is part of the Group’s equity and is not available for distribution. During 2025, the Group transferred from non-distributable general reserves to retained earnings an amount of LL 807,163 million (2024: LL 545,521 million). In addition, the Group transferred from non-distributable general reserves to reserve appropriated for capital increase an amount of LL 59 million (2024: LL 503,637 million) representing amounts that should have been appropriated to reserve for capital increase in accordance with regulatory requirements.

Legal reserve

According to the Lebanese Code of Commerce and to the Money and Credit Act, banks and companies operating in Lebanon have to transfer 10% of their annual net profit to a legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve cannot be distributed as dividends. During 2025, the Group appropriated LL 4,838,977 million from 2024 profits to the legal reserve (2024: LL 358,008 million).

Reserve appropriated for capital increase

During 2025, the Group appropriated LL 23,453 million from 2024 profits to the reserve appropriated for capital increase (2024: LL 9,013 million).

36 TREASURY SHARES

Movement of treasury shares recognized in the consolidated statement of financial position is as follows:

	2025		2024	
	<i>Number of shares</i>	<i>Cost LL million</i>	<i>Number of shares</i>	<i>Cost LL million</i>
Balance at 1 January and 31 December	275,664	4,434	275,664	4,434

The treasury shares represent 14,564 Global Depositary Receipts (GDR) and 261,100 ordinary shares owned by the Group as at 31 December 2025 (2024: the same). The market value of one GDR and one ordinary share were US\$ 5.75 and US\$ 6.25 respectively as of 31 December 2025 (2024: US\$ 5.17 and US\$ 6.25 respectively).

37 CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Movement of the change in fair value of financial assets at fair value through other comprehensive income during the year was as follows:

	2025 <i>LL million</i>	2024 <i>LL million</i>
At 1 January	187,423	31,231
Net changes in fair values during the year	(147,150)	80,426
Related to change in non-controlling interest	197,597	(1,992)
Related to gain/loss on sale of OCI instruments	(238,805)	77,758
Balance at 31 December	(935)	187,423

38 CASH AND CASH EQUIVALENTS

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Cash and balances with central banks	530,373,346	571,419,850
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	114,227,431	76,592,257
	<u>644,600,777</u>	<u>648,012,107</u>
Less:		
Due to central banks	(57,166)	(79,089)
Due to banks and financial institutions (whose original maturities are less than 3 months)	(7,579,462)	(8,740,420)
	<u>636,964,149</u>	<u>639,192,598</u>

Cash and balances with central banks include amounts of LL 138,087,277 million at 31 December 2025 (2024: LL 175,664,716 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances in foreign currencies that are subject to unofficial capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. However, the Group maintains their classification as cash and cash equivalents as they are freely transferrable within the Lebanese territory. These balances were as follows as at 31 December 2025 and 31 December 2024:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Cash and balances with central banks	443,495,913	487,955,475
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	207,864	381,068
	<u>443,703,777</u>	<u>488,336,543</u>
Less:		
Due to central banks	(13,161)	(29,457)
Due to banks and financial institutions (whose original maturities are less than 3 months)	(791,996)	(774,023)
	<u>(805,157)</u>	<u>(803,480)</u>
	<u>442,898,620</u>	<u>487,533,063</u>

39 DIVIDENDS DECLARED AND PAID

In accordance with the Central Bank of Lebanon intermediary circulars 567, 616, 676, 726 and 741 the Board of Directors does not propose the payment of dividends for the years 2019, 2020, 2021, 2022, 2023, 2024 and 2025.

40 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realize immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Group as a going concern. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below:

40 FAIR VALUE OF THE FINANCIAL INSTRUMENTS (continued)

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets, and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads.

Valuation technique using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Effects of exchange rates on the fair value measurements:

The fair value disclosures for other assets and liabilities are first determined in their original currency, which is not the Lebanese Lira in the case of most of the assets and liabilities reported below. These are then translated to Lebanese Lira at the official published exchange rate as discussed in note 1 to the consolidated financial statements. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2.

Fair value measurement hierarchy of the Group's financial assets and liabilities carried at fair value:

	2025			
	<i>Valuation techniques</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Financial assets:				
Derivative financial instruments:				
Forward foreign exchange contracts	-	73,133	-	73,133
Equity swaps and options	-	43,132	-	43,132
Currency swaps	-	1,986	-	1,986
Financial assets at fair value through profit or loss:				
Treasury bills and bonds	1,080,263	-	-	1,080,263
Banks and financial institutions debt instruments	33,351,307	-	-	33,351,307
Equity instruments	10,166,380	192,328	-	10,358,708
Funds	2,690,591	-	8,011,818	10,702,409
Financial assets at fair value through other comprehensive income:				
Banks and financial institutions debt instruments	339,694	-	-	339,694
Equity instruments	54,096	373,136	-	427,232
Financial liabilities:				
Derivative financial instruments:				
Forward foreign exchange contracts	-	74,791	-	74,791
Equity swaps and options	-	43,132	-	43,132
Currency swaps	-	8,767	-	8,767

40 FAIR VALUE OF THE FINANCIAL INSTRUMENTS (continued)

	2024			
	<i>Valuation techniques</i>			<i>Total</i> <i>LL million</i>
	<i>Level 1</i> <i>LL million</i>	<i>Level 2</i> <i>LL million</i>	<i>Level 3</i> <i>LL million</i>	
Financial assets:				
Derivative financial instruments:				
Forward foreign exchange contracts	-	5,243	-	5,243
Equity swaps and options	-	8,196	-	8,196
Currency swaps	-	80,148	-	80,148
Financial assets at fair value through profit or loss:				
Treasury bills and bonds	892,974	297	-	893,271
Banks and financial institutions debt instruments	23,329,430	-	-	23,329,430
Equity instruments	12,274,462	86,507	-	12,360,969
Funds	3,567,185	-	6,386,130	9,953,315
Financial assets at fair value through other comprehensive income:				
Banks and financial institutions debt instruments	-	-	-	-
Equity instruments	488,640	349,717	-	838,357
Financial liabilities:				
Derivative financial instruments:				
Forward foreign exchange contracts	-	61,284	-	61,284
Equity swaps and options	-	8,196	-	8,196
Currency swaps	-	3,707	-	3,707

There were no transfers between levels during 2025 (2024: the same).

Valuation techniques used for material classes of financial assets and liabilities categorized within Level 2 and Level 3:

Derivatives

Derivative products are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

Funds and Equity Shares of Non-listed Entities

Units held in funds are measured based on their net asset value (NAV), taking into account redemption and/or other restrictions. Classification between Level 2 and Level 3 is dependent on whether the NAV is observable or unobservable (i.e. recent and published by the fund administrator or not).

Equity shares of non-listed entities are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Bank determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value. Classification between Level 2 and Level 3 is based on whether the financial statements of the investee are recent and published or not. These instruments are fair valued using third-party information (NAV or financial statements of non-listed entities), without adjustment. Accordingly, quantitative information about significant unobservable inputs and sensitivity analysis cannot be developed by the Bank in accordance with IFRS 13.93 (d).

Comparison of carrying and fair values for financial assets and liabilities not held at fair value:

The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

Financial assets and liabilities concentrated in Lebanon – subject to defacto capital controls

These assets and liabilities consist of balances with the Central Bank of Lebanon and Lebanese Banks, Lebanese government securities, loans and advances to customers and related parties, due to the Central Bank of Lebanon and Lebanese Banks, customers and related parties deposits, and debt issued and other borrowed funds. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in note 1 to the consolidated financial statements and the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, Management is unable to produce faithful estimation of the fair value of these financial assets and liabilities. The carrying value of the Group's other financial instruments (not concentrated in Lebanon) not measured at fair value is reasonable approximation of their fair value.

40 FAIR VALUE OF THE FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities not concentrated in Lebanon

The fair values of financial assets and liabilities not concentrated in Lebanon that are not held at fair value are as follows:

31 December 2025	Carrying value LL million	Fair value			Total LL million
		Level 1 LL million	Level 2 LL million	Level 3 LL million	
FINANCIAL ASSETS					
Cash and balances with central banks	72,355,345	12,298,671	60,056,674	-	72,355,345
Due from banks and financial institutions	151,029,310	-	149,844,085	-	149,844,085
Net loans and advances to customers at amortized cost	96,279,265	-	-	96,477,490	96,477,490
Net loans and advances to related parties at amortized cost	548,060	-	-	547,703	547,703
Financial assets at amortized cost	83,067,033	49,834,367	29,500,003	-	79,334,370
FINANCIAL LIABILITIES					
Due to central banks	4,035,930	-	4,035,930	-	4,035,930
Due to banks and financial institutions	8,225,971	-	8,225,971	-	8,225,971
Customers' deposits at amortized cost	314,132,639	-	314,403,119	-	314,403,119
31 December 2024					
	Carrying value LL million	Level 1 LL million	Level 2 LL million	Level 3 LL million	Total LL million
FINANCIAL ASSETS					
Cash and balances with central banks	89,177,111	11,571,860	78,706,902	-	90,278,762
Due from banks and financial institutions	121,700,629	-	121,745,484	-	121,745,484
Net loans and advances to customers at amortized cost	84,021,545	-	-	82,520,596	82,520,596
Net loans and advances to related parties at amortized cost	121,729	-	-	122,982	122,982
Financial assets at amortized cost	69,113,596	38,616,981	30,286,529	-	68,903,510
FINANCIAL LIABILITIES					
Due to central banks	3,333,204	-	3,333,204	-	3,333,204
Due to banks and financial institutions	9,228,022	-	9,280,850	-	9,280,850
Customers' deposits at amortized cost	293,208,031	-	242,104,875	-	242,104,875

Assets and liabilities for which fair value is disclosed using a valuation technique with significant observable inputs (Level 2) and / or significant unobservable inputs (Level 3)

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), the Group assumed that the carrying values approximate the fair values. This assumption is also applied to demand deposits which have no specific maturity and financial instruments with variable rates.

Deposits with banks and loans and advances to banks

For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

Government bonds, certificates of deposit and other debt securities

The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest and credit spreads.

Loans and advances to customers

For the purpose of this disclosure, fair value of loans and advances to customers is estimated using discounted cash flows by applying current rates for new loans granted during the year with similar remaining maturities and to counterparties with similar credit quality.

Deposits from banks and customers

In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

41 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Credit – related commitments and contingent liabilities

To meet the financial needs of customers, the Group enters into various commitments, guarantees and other contingent liabilities, which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognized on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

	<u>2025</u>		
	<i>Banks</i> <i>LL million</i>	<i>Customers</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>
Guarantees issued	956,133	15,348,132	16,304,265
Commitments			
Documentary credits	1,611,149	-	1,611,149
Loan commitments	-	9,467,974	9,467,974
<i>Of which revocable</i>	-	6,750,751	6,750,751
<i>Of which irrevocable</i>	-	2,717,223	2,717,223
Securities pledged with the Central Bank of Lebanon	734,617	-	734,617
Other commitments	153,672	261,087	414,759
	<u>3,455,571</u>	<u>25,077,193</u>	<u>28,532,764</u>
	<u>2024</u>		
	<i>Banks</i> <i>LL million</i>	<i>Customers</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>
Guarantees issued	1,254,935	12,836,662	14,091,597
Commitments			
Documentary credits	987,066	-	987,066
Loan commitments	-	8,604,508	8,604,508
<i>Of which revocable</i>	-	6,734,514	6,734,514
<i>Of which irrevocable</i>	-	1,869,994	1,869,994
Securities pledged with the Central Bank of Lebanon	1,811,983	-	1,811,983
Other commitments	38,574	288,191	326,765
	<u>4,092,558</u>	<u>21,729,361</u>	<u>25,821,919</u>

Guarantees issued

Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees are contracts that have similar features to the financial guarantee contracts but fail to meet the strict definition of a financial guarantee contract under IFRS. These include mainly performance and tender guarantees.

Documentary credits

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Loan commitments

Loan commitments are defined amounts (unutilized credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

Revocable loan commitments are those commitments that can be unconditionally cancelled at any time subject to notice requirements according to their general terms and conditions. Irrevocable loan commitments result from arrangements where the Group has no right to withdraw the loan commitment once communicated to the beneficiary.

**41 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS
(continued)**

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. At year-end, the Group had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad and a civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY).

The extent of the impact of these matters cannot always be predicted but may materially impact the Group's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Group, however they may have an impact on the liquidity of the Group.

Capital expenditure commitments

Capital expenditures that were not provided for as of the consolidated statement of financial position date are as follows:

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Capital commitments		
Property and equipment	24,159	4,833

Other commitments and contingencies

Certain areas of the Lebanese tax legislation and the tax legislations where the subsidiaries operate are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities.

The Bank's books in Lebanon are currently under review for the years 2018 and 2019 and remain subject to the review of the tax authorities for the years up to 2025 (inclusive).

The books of the Head Office and Lebanese branches of the Bank remain subject to the review by the National Social Security Fund (NSSF) for the period from 1 October 2020 to 31 December 2025.

In addition, the subsidiaries' books and records are subject to review by the tax and social security authorities in the countries in which they operate.

Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

42 ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

Assets held in custody and under administration include client assets managed or deposited with the Group. For the most part, the clients decide how these assets are to be invested.

	<i>2025</i> <i>LL million</i>	<i>2024</i> <i>LL million</i>
Assets held in custody and under administration	735,602,345	727,953,288

The Group provides safekeeping and servicing activities on behalf of clients, in addition to various support functions including the valuation of portfolios of securities and other financial assets, which complements the custody business.

43 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both. The definition includes subsidiaries, key management personnel and their close family members, as well as entities controlled or jointly controlled by them.

A list of the Group's principal subsidiaries is shown in note 3 to the consolidated financial statements. Transactions between the Bank and its subsidiaries meet the definition of related party transactions. However, where these are eliminated on consolidation, they are not disclosed in the Group's consolidated financial statements.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Loans to related parties, (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and (c) did not involve more than a normal risk of collectability or present other unfavorable features.

Related party balances included in the Group's consolidated statement of financial position are as follows as of 31 December:

	<i>Outstanding balance as at 31 December 2025</i>			
	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Expected credit loss</i>	<i>Total</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Deposits	1,111,617	726,123	-	1,837,740
Net loans and advances	257,403	298,533	(129)	555,807
Guarantees given	122	1,147,204	-	1,147,326

	<i>Outstanding balance as at 31 December 2024</i>			
	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Expected credit loss</i>	<i>Total</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Deposits	470,321	1,768,156	-	2,238,477
Net loans and advances	223,378	75,103	(12)	298,469
Guarantees given	480	98,899	-	99,379

Related party transactions included in the Group's consolidated income statement are as follows for the year ended 31 December:

	<i>Revenues and expenses for the year ended 31 December 2025</i>		
	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Total</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Interest paid on deposits	7,634	463	8,097
Interest received from net loans and advances	18,278	5,497	23,775
Rent expense	-	9,189	9,189

	<i>Revenues and expenses for the year ended 31 December 2024</i>		
	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Total</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Interest paid on deposits	578	10,354	10,932
Interest received from net loans and advances	18,974	655	19,629
Rent expense	-	8,941	8,941

43 RELATED PARTY TRANSACTIONS (continued)

Key management personnel

Total remuneration awarded to key management personnel represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest pay round decisions. Figures are provided for the period that individuals met the definition of key management personnel.

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Short-term benefits	2,016,456	1,671,126
Post-employment benefits charged for the year, net	354,817	415,875

Short-term benefits comprise of salaries, bonuses, profit-sharing, attendance fees and other benefits.

44 RISK MANAGEMENT

The Group is exposed to various types of risks, some of which are:

- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Market risk: the risk of loss in balance sheet and off-balance sheet positions arising from movements in market prices. Movements in market prices include changes in interest rates (including credit spreads), exchange rates and equity prices.
- Liquidity risk: the risk that the Group cannot meet its financial obligations when they come due in a timely manner and at reasonable cost.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Other risks faced by the Group include concentration risk, reputation risk, legal risk, political risk and business/strategic risk.

The Group manages its business activities within risk management guidelines as set by the Group’s “Risk Management Policy” approved by the Board of Directors. The Group recognizes the role of the Board of Directors and executive management in the risk management process as set out in the Banking Control Commission circular 242. In particular, it is recognized that ultimate responsibility for establishment of effective risk management practices and culture lies with the Board of Directors as does the establishing of the Group’s risk appetite and tolerance levels. The Board of Directors delegates through its Risk Management Committee the day-to-day responsibility for establishment and monitoring of risk management process across the Group to the Group Chief Risk Officer, who is directly appointed by the Board of Directors, in coordination with executive management at BLOM Bank SAL.

The Board’s Risk Management Committee has the mission to periodically (1) review and assess the risk management function of the Group, (2) review the adequacy of the Group’s capital and its allocation within the Group, and (3) review risk limits and reports and make recommendations to the Board.

The Group Chief Risk Officer undertakes his responsibilities through the “Group Risk Management Division” in Beirut which also acts as Group Risk Management, overseeing and monitoring risk management activities throughout the Group. The Group Chief Risk Officer is responsible for establishing the function of Risk Management and its employees across the Group.

BLOM Bank’s Risk Management aids executive management in monitoring, controlling and actively managing and mitigating the Group’s overall risk. The Division mainly ensures that:

- Risk practices are fit for purpose and aligned with best practices as far as practicable.
- Risk policies and methodologies are consistent with the Group’s risk appetite.
- Limits and risk across banking activities are monitored and managed throughout the Group.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines as set by the Group’s “Risk Management Policies”. Any discrepancies, breaches or deviations are escalated to executive senior management in a timely manner for appropriate action.

44 RISK MANAGEMENT (continued)

In addition to the Group's Risk Management in Lebanon, risk managers and / or risk officers were assigned within the Group's foreign subsidiaries or branches to report to the Group Risk Management and executive senior management in a manner that ensures:

- Standardization of risk management functions and systems developed across the Group.
- Regional consistency of conducted business in line with the board's approved risk appetite.

The major objective of risk management is the implementation of sound risk management practices and the Basel frameworks as well as all related regulatory requirements within the Group. The Group has documented a Board approved Disclosure Policy.

45 CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations, including the full and timely payment of principal and interest. Credit risk arises from various balance sheet and off-balance sheet exposures including interbank, loans and advances, credit commitments, financial guarantees, letters of credit, acceptances, investments in debt securities (including sovereign) and derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

45.1 Credit risk management

Credit risk appetite and limits are set at the Group level by the Board and are cascaded to the entities, which in turn formulate their own limits in line with the Group's risk appetite. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the Group's credit risk department, which is responsible for assisting the Group in establishing a credit risk management culture that promotes good analysis, judgements, flexibility and balance between risk and reward.

The Group has established various credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties, including regular revisions of credit files, including ratings and collateral quality. The credit quality review process allows the Group early detections of changes in assets quality, estimate the potential loss and take early corrective actions.

As part of its credit risk governance structure, the Group has established credit committees for the approval and renewal of credit facilities. Credit committees are responsible for the approval of facilities up to the limit assigned to them, which depends on the size of the exposure and the obligor's creditworthiness as measured by his internal rating. Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

Starting 2019, the economic situation in Lebanon exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality of the Lebanese loan portfolio has declined driven by a weakening in the borrowers' creditworthiness across various segment types. In order to address the challenging operating conditions, the Group has implemented a series of remedial actions that included: i) risk deleveraging by reducing its assets size, ii) increasing collection capacity across various business lines, iii) increasing specific and collective provision coverages, and iv) setting-up an independent, centralised and specialised remedial function to proactively manage borrowers showing weak or deteriorating credit profiles and not yet classified Stage 3.

45.2 Expected credit losses (ECL)

45.2.1 Governance and oversight of expected credit losses

The Group's IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the ECL estimation framework by: i) approving the IFRS 9 impairment policy; ii) reviewing key assumptions and estimations that are part of the ECL calculations; iii) approving the forward-looking economic scenarios; iv) approving staging classifications on a name-by-name basis for material exposures and v) reviewing ECL results.

45 CREDIT RISK (continued)

45.2 Expected credit losses (ECL) (continued)

45.2.1 Governance and oversight of expected credit losses (continued)

Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards and evolving business models. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the Significant Increase in Credit Risk (SICR), are assessed through a combination of expert judgements and data-driven methodologies.

ECL is estimated using a model that takes into account borrowers' exposure, internal risk rating, facility characteristic macroeconomy, and collateral information among others. Models are, by their nature, relying on minimal required historical data as well as incorporating expert opinion are subject to biased output thus, the Group has established a systematic approach for the development, validation, approval, implementation and on-going use of the models. Models are statistically validated by a qualified independent party to the model development unit, before first use and at a minimum annually thereafter. Each model is designated an owner who is responsible for:

- Monitoring the performance of the model, which includes comparing estimated ECL versus actual ECL; and
- Proposing post-model development calibration to enhance model's accuracy or to account for situations where known or expected risk factors and information have not been considered in the modelling process.

Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data, reconciliation with finance data, and documentation of the calculation steps.

ECL estimation takes into account a range of future economic scenarios, which are set using mathematical models and expert judgements. Economic scenarios are prepared on a frequent basis, at a minimum annually, to align with the Group's medium-term planning exercise, but also in the event of significant change in the prevailing economic conditions. The scenario probability weights are also updated when the scenarios are updated.

45.2.2 Definition of default and cure

The Group considers a financial instrument defaulted for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group;
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

As a part of a qualitative assessment of whether a customer is in default, the Group carefully considers whether the events listed above should result in classifying the exposures in Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for a specific period of time and after obtaining the approval of the Credit Committee. The decision whether to classify an asset as Stage 2 or Stage 1 once cured is dependent on the absence of SICR criteria compared to initial recognition and is examined on a case by case basis. In case of forbearance under Stage 2, the borrower remains in this stage until all the following conditions have been met: i) at least a 12-month probation period has passed, ii) three consecutive payments under the new repayment schedule have been made, iii) the borrower has no past dues under any obligation to the Group, and iv) all the terms and conditions agreed to as part of the restructuring have been met.

45 CREDIT RISK (continued)

45.2 Expected credit losses (ECL) (continued)

45.2.3 The Group's internal rating and PD estimation process

Central Banks, Sovereigns and Financial Institutions

For central banks, sovereigns and financial institutions' exposures, ratings from recognised external rating agencies are used and mapped to their corresponding PDs as reported by these agencies. These ratings with their corresponding PDs are monitored and updated on a regular basis. With respect to exposures to the Central Bank of Lebanon and Lebanese sovereign, Intermediate Circular 649 issued on 24 November 2022 modified the regulatory ECLs levels, previously set in its Intermediate Circular 567. Regulatory ECL on exposures to Lebanese sovereign bonds in foreign currency was increased from 45% to 75%, while regulatory ECLs on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currency and exposures to the Central Bank of Lebanon in local currency remained unchanged (0%, 1.89% and 0% respectively). Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the Lebanese government's plans with respect to, among other, the exposures to the Central Bank of Lebanon, the Group was unable to estimate in a reasonable manner ECL on this exposure. As at 31 December 2025, loss allowances on assets held at the Central Bank of Lebanon recorded in these consolidated financial statements amounted to LL 82,937 billion against gross exposure of LL 1,154,078 as at 31 December 2025 (2024: LL 105,303 billion against LL 1,246,549 billion). In addition, as at 31 December 2025, loss allowances on Certificates of deposits under financial assets at amortized cost recorded in these consolidated financial statements amounted to LL 1,969 billion against gross exposure of LL 36,025 billion (2024: LL 1,977 billion against LL 36,025 billion). To note that the Group disposed of the majority of its holding of Lebanese Sovereign Bonds in foreign currency during 2020.

Non-consumer loans

The Credit Risk function, which is independent from business lines, is responsible for the development of internal rating models, and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Group uses an internal rating scale comprised of 10 performing grades and 3 non-performing grades. The grades generated by internal rating models are mapped to PDs using historical default observations. The mapping of rating to PD, which is done initially on a through-the-cycle basis is then adjusted to a point-in-time basis in line with IFRS 9 requirements.

These internal rating models for the Group's key lending portfolios including Corporate and SME obligors incorporate both qualitative and quantitative criteria such as:

- Historical and projected financial information including debt service coverage, operations, liquidity and capital structure;
- Account behavior, repayment history and outside and other non-financial information such as management quality, company standing and industry risk;
- Moody's Rating Agency publicly available information related to the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports and other market disclosures; and
- Any other objectively supportable information on the obligor's willingness and capacity of repayment.

Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved and validated by the Credit Review and Credit Risk function, which are independent from business lines. Credit Review and Credit Risk functions are responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

Consumer loans

Consumer lending comprises mainly of personal loans, credit cards, car loans and housing loans. These products are rated by an automated scorecard tool primarily driven by days past due. The Group also relies on account behavior to predict the probability of default within a specific timeframe. This is primarily based on the repayment history of consumer borrowers.

For the estimation of expected losses for consumer products, the Group uses currently the loss rate approach by product based on the net flow of exposures from one days-past-due bucket to another. This estimation incorporates by a forward-looking component in line with the IFRS9 standard. For Blom Jordan consumer products, PD-LGD approach is adopted.

45 CREDIT RISK (continued)

45.2 Expected credit losses (ECL) (continued)

45.2.4 Exposure at default

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

45.2.5 Loss given default

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD based on the history of recovery rates of claims against defaulted counterparties. It is estimated using information on the counterparty and collateral type including recovery costs. For portfolios in respect of which the Group has limited historical data, credit expert opinion benchmarked against related regulators is used to supplement the internally available data.

45.2.6 Significant increase in credit risk

The Group continuously monitors all its credit risk exposures. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information. The Group's assessment of significant increase in credit risk is being performed at least quarterly based on the following:

Non-Consumer loans

Migration of obligor risk rating by a certain number of notches from origination to reporting date as a key indicator of the change in the risk of default at origination with the risk of default at reporting date.

Consumer loans

Thresholds have been based on historical default rates and historical payment behavior to determine significant increase in credit risk.

Qualitative criteria

For non-consumer loans, the Group also considers in its assessment of significant increase in credit risk, various qualitative factors including significant adverse changes in the business condition, restructuring due to credit quality weakness during the past 12-months, classification of an exposure under the "Follow-up and arrange" supervisory classification. For Consumer loans, the Group considers specific events that might be indicative of a significant increase in credit risk such as the event of restructuring.

A financial instrument considered to have experienced a significant increase in credit risk if the instrument is more than 90 days past due on its contractual payments. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired at the reporting date. Downgrade from stage 2 to stage 3 is based on whether financial assets are credit-impaired at the reporting date.

45.2.7 Expected life

With the exception of credit cards and other revolving facilities the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. With respect to credit cards and other revolving facilities, the Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

45.2.8 Forward looking information

The Group incorporates forward-looking information at the level of Probability of Default.

On the PD level, the Group formulates three economic scenarios: a base case, which is the median scenario assigned with a certain probability of occurring, and two other scenarios, one upside and one downside, each assigned a specific chance of occurring, then, a weighted average PD is generated and used for the calculation of the ECL.

45 CREDIT RISK (continued)

45.2 Expected credit losses (ECL) (continued)

45.2.8 Forward looking information (continued)

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, organizations such as World Bank and the International Monetary Fund, IIF and selected private-sector and academic forecasters. A team of specialists within the Group’s Credit Risk Department verifies the accuracy of inputs to the Group’s ECL models including determining the weights attributable to the multiple scenarios of the PD.

The Group seeks the highest correlation between macro-economic variables and historical PDs for each portfolio to identify the key drivers for Point in Time Probability of default which is translated into the ECL. Using an analysis of historical data, the Group has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes to forecasts of the macro-variable and also together with changes to the weights assigned to the scenarios.

In Lebanon, given the prevailing high uncertainties and challenges, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in the event of a prolonged crisis and continued deterioration in the economic conditions. It is not practical at this time to determine and provide sensitivity analysis that is reasonably possible.

45.2.9 Modified and forborne loans

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in the *Material accounting policies* above.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as ‘forbearance activities’) to maximize collection opportunities and minimize the risk of default. Under the Group’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both consumer and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Group.

	<i>2025</i>	<i>2024</i>
	<i>LL million</i>	<i>LL million</i>
Amortized costs of financial assets modified during the period	302,323	301,467

There are no previously modified financial assets for which loss allowance has changed to 12mECL measurement as at 31 December 2025 and 31 December 2024. There are no previously modified financial assets for which loss allowance had changed to 12mECL measurement and reverted to LTECL as at 31 December 2025 and 31 December 2024.

BLOM Bank SAL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

45 CREDIT RISK (continued)

45.2 Expected credit losses (ECL) (continued)

45.2.10 Financial assets and ECLs by stage

The tables below present an analysis of financial assets at amortized cost by gross exposure and impairment allowance by stage allocation as at 31 December 2025 and 2024. The Group does not hold any material purchased or originated credit-impaired assets as at year-end.

	<i>Gross exposure</i>				<i>Impairment allowance</i>				<i>Net exposure</i> <i>LL million</i>
	<i>Stage 1</i> <i>LL million</i>	<i>Stage 2</i> <i>LL million</i>	<i>Stage 3</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>	<i>Stage 1</i> <i>LL million</i>	<i>Stage 2</i> <i>LL million</i>	<i>Stage 3</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>	
31 December 2025									
Balances with central banks	60,949,936	1,154,078,299	-	1,215,028,235	-	(82,937,180)	-	(82,937,180)	1,132,091,055
Due from banks and financial institutions	151,229,289	-	73,160	151,302,449	(314,959)	-	(73,159)	(388,118)	150,914,331
Loans and advances to customers at amortized cost	88,275,973	8,271,772	28,160,395	124,708,140	(1,506,518)	(340,172)	(25,706,691)	(27,553,381)	97,154,759
<i>Commercial loans</i>	72,112,607	6,311,597	21,945,541	100,369,745	(941,267)	(109,201)	(20,039,930)	(21,090,398)	79,279,347
<i>Consumer loans</i>	16,163,366	1,960,175	6,214,854	24,338,395	(565,251)	(230,971)	(5,666,761)	(6,462,983)	17,875,412
Loans and advances to related parties at amortized cost	555,931	-	-	555,931	(124)	-	-	(124)	555,807
Debtors by acceptances	562,273	9	-	562,282	(673)	-	-	(673)	561,609
Financial assets at amortized cost	83,095,606	36,441,790	179,000	119,716,396	(25,599)	(1,969,000)	(136,936)	(2,131,535)	117,584,861
Financial guarantees and other commitments	27,246,593	33,837	102,958	27,383,388	(177,284)	(1,490)	(8,035)	(186,809)	27,196,579
Total	411,915,601	1,198,825,707	28,515,513	1,639,256,821	(2,025,157)	(85,247,842)	(25,924,821)	(113,197,820)	1,526,059,001
	<i>Gross exposure</i>				<i>Impairment allowance</i>				<i>Net exposure</i> <i>LL million</i>
	<i>Stage 1</i> <i>LL million</i>	<i>Stage 2</i> <i>LL million</i>	<i>Stage 3</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>	<i>Stage 1</i> <i>LL million</i>	<i>Stage 2</i> <i>LL million</i>	<i>Stage 3</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>	
31 December 2024									
Balances with central banks	77,605,251	1,246,549,416	-	1,324,154,667	-	(105,303,721)	-	(105,303,721)	1,218,850,946
Due from banks and financial institutions	123,180,429	-	73,160	123,253,589	(191,669)	-	(73,158)	(264,827)	122,988,762
Loans and advances to customers at amortized cost	78,224,159	6,399,761	28,626,527	113,250,447	(1,762,911)	(665,696)	(25,361,689)	(27,790,296)	85,460,151
<i>Commercial loans</i>	64,307,834	3,278,598	21,689,543	89,275,975	(1,038,391)	(206,460)	(19,211,238)	(20,456,089)	68,819,886
<i>Consumer loans</i>	13,916,325	3,121,163	6,936,984	23,974,472	(724,520)	(459,236)	(6,150,451)	(7,334,207)	16,640,265
Loans and advances to related parties at amortized cost	298,481	-	-	298,481	(12)	-	-	(12)	298,469
Debtors by acceptances	518,249	9	-	518,258	(815)	-	-	(815)	517,443
Financial assets at amortized cost	69,771,214	36,626,194	324,415	106,721,823	(26,441)	(1,977,422)	(318,915)	(2,322,778)	104,399,045
Financial guarantees and other commitments	23,334,446	330,244	18,481	23,683,171	(61,279)	(7,438)	(3,217)	(71,934)	23,611,237
Total	372,932,229	1,289,905,624	29,042,583	1,691,880,436	(2,043,127)	(107,954,277)	(25,756,979)	(135,754,383)	1,556,126,053

45 CREDIT RISK (continued)

45.2 Expected credit losses (ECL) (continued)

45.2.10 Financial assets and ECLs by stage (continued)

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of loans and advances at amortized cost:

	2025			
	<i>Stage 1</i> <i>LL million</i>	<i>Stage 2</i> <i>LL million</i>	<i>Stage 3</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>
Balance at 1 January	1,762,911	665,696	25,361,689	27,790,296
Impairment loss for the year	100,083	18,436	1,751,534	1,870,053
Recoveries (note 11)	(316,995)	(306,129)	(1,767,087)	(2,390,211)
Unrealized interest for the year	-	-	1,219,745	1,219,745
Written-off	-	-	(914,313)	(914,313)
Foreign exchange difference	1,388	189	52,147	53,724
Other	(40,869)	(38,020)	2,976	(75,913)
Balance at 31 December	1,506,518	340,172	25,706,691	27,553,381

	2024			
	<i>Stage 1</i> <i>LL million</i>	<i>Stage 2</i> <i>LL million</i>	<i>Stage 3</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>
Balance at 1 January	559,411	138,875	5,314,956	6,013,242
Impairment loss for the year	42,562	144,797	1,235,403	1,422,762
Recoveries (note 11)	(968,856)	(228,695)	(5,191,171)	(6,388,722)
Unrealized interest for the year	-	-	1,612,317	1,612,317
Written-off	-	-	(3,477,127)	(3,477,127)
Foreign exchange difference	1,971,385	667,123	25,899,285	28,537,793
Other	158,409	(56,404)	(31,974)	70,031
Balance at 31 December	1,762,911	665,696	25,361,689	27,790,296

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of balances with the Central Bank of Lebanon:

	2025 <i>LL million</i>	2024 <i>LL million</i>
Balance at 1 January	105,303,721	17,644,709
Impairment loss for the year (note 11)	37	23,628
Recoveries (note 11)	(22,375,000)	6
Other movement	8,422	-
Foreign exchange difference	-	87,635,378
Balance at 31 December	82,937,180	105,303,721

45 CREDIT RISK (continued)

45.2 Expected credit losses (ECL) (continued)

45.2.10 Financial assets and ECLs by stage (continued)

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of Certificates of Deposits issued by the Central Bank of Lebanon:

	2025 <i>LL million</i>	2024 <i>LL million</i>
Balance at 1 January	1,977,422	331,410
Other movement	(8,422)	-
Foreign exchange difference	-	1,646,012
Balance at 31 December	<u>1,969,000</u>	<u>1,977,422</u>

45.3 Analysis of risk concentration

Geographical location analysis

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location. The distribution of financial assets by geographic region as of 31 December is as follows:

	2025		
	<i>Lebanon LL million</i>	<i>Others LL million</i>	<i>Total LL million</i>
Financial assets			
Balances with central banks	1,071,141,158	60,949,897	1,132,091,055
Due from banks and financial institutions	1,359,756	149,554,575	150,914,331
Derivative financial instruments	4,223	114,028	118,251
Financial assets at fair value through profit or loss	16,106	34,415,464	34,431,570
<i>Treasury bills and bonds</i>	16,106	1,064,157	1,080,263
<i>Corporate debt securities</i>	-	33,351,307	33,351,307
Net loans and advances to customers at amortized cost	10,617,509	86,537,250	97,154,759
<i>Commercial loans</i>	8,786,839	70,492,508	79,279,347
<i>Consumer loans</i>	1,830,670	16,044,742	17,875,412
Net loans and advances to related parties at amortized cost	7,747	548,060	555,807
Debtors by acceptances	91	561,518	561,609
Financial assets at amortized cost	35,115,556	82,469,305	117,584,861
<i>Treasury bills and bonds</i>	416,402	42,900,518	43,316,920
<i>Certificates of deposit – Central Bank of Lebanon</i>	34,056,388	-	34,056,388
<i>Corporate debt securities</i>	634,556	39,576,997	40,211,553
Financial assets at fair value through other comprehensive income	-	339,694	339,694
	<u>1,118,262,146</u>	<u>415,489,791</u>	<u>1,533,751,937</u>
	2024		
	<i>Lebanon LL million</i>	<i>Others LL million</i>	<i>Total LL million</i>
Financial assets			
Balances with central banks	1,141,245,695	77,605,251	1,218,850,946
Due from banks and financial institutions	402,084	122,586,678	122,988,762
Derivative financial instruments	2,151	91,436	93,587
Financial assets at fair value through profit or loss	7,892	24,214,809	24,222,701
<i>Treasury bills and bonds</i>	7,892	885,379	893,271
<i>Corporate debt securities</i>	-	23,329,430	23,329,430
Net loans and advances to customers at amortized cost	3,587,133	81,873,018	85,460,151
<i>Commercial loans</i>	2,984,482	65,835,404	68,819,886
<i>Consumer loans</i>	602,651	16,037,614	16,640,265
Net loans and advances to related parties at amortized cost	65	298,404	298,469
Debtors by acceptances	91	517,352	517,443
Financial assets at amortized cost	35,282,650	69,116,395	104,399,045
<i>Treasury bills and bonds</i>	603,309	31,056,672	31,659,981
<i>Certificates of deposit – Central Bank of Lebanon</i>	34,047,961	-	34,047,961
<i>Corporate debt securities</i>	631,380	38,059,723	38,691,103
	<u>1,180,527,761</u>	<u>376,303,343</u>	<u>1,556,831,104</u>

45 CREDIT RISK (continued)

45.4 Credit quality

The Group assesses the quality of its credit portfolio using the following credit rating methodologies:

- (i) External ratings from approved credit rating agencies for financial institutions and financial assets.
- (ii) Internal rating models that take into account both financial as well as non-financial information such as management quality, operating environment and company standing.
- (iii) Internally developed scorecards to assess the creditworthiness of retail borrowers in an objective manner and streamline the decision-making process.
- (iv) Supervisory ratings, comprising six main categories: (a) *Regular* includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These loans demonstrate regular and timely payment of dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required. (b) *Follow-up* represents a lack of documentation related to a borrower's activity, an inconsistency between facilities' type and related conditions. (c) *Follow-up and arrange* includes credit worthy borrowers requiring close monitoring without being impaired. These loans might be showing weaknesses; insufficient or inadequate cash flows; highly leveraged; deterioration in economic sector or country where the facility is used; loan rescheduling more than once since initiation; or excess utilization above limit. (d) *Substandard* loans include borrowers with incapacity to repay from identified cash flows. Also included under this category are those with recurrent late payments and financial difficulties. (e) *Doubtful* loans where full repayment is questioned even after liquidation of collateral. It also includes loans stagnating for over 6 months and debtors who are unable to repay restructured loans. Finally, (f) *Bad* loans with no or little expected inflows from business or assets. This category also includes borrowers with significant delays and deemed insolvent.

Sovereign

Sovereign default rates are extracted from Moody's Investors Service annual data report. The starting point of the interpolation of default rates is based on ordering the ratings. The interpolation is done for the missing values (subgrades) in order to get the final PDs for all the ratings. A forward-looking adjustment is performed on PDs via regression by considering the relevant macro-economic factors as published by International data sources. The resulting PiT and forward-looking PDs are then used in the ECL calculation under the base case. The Group then projects these factors under a lower and upper scenario.

Banks and financial institutions

The Group considers that the credit spread above a given LIBOR rate is a reflective rate for expected credit loss. The cost of risk is considered as a proxy for PD and LGD.

Debt securities

The Group assigns the second lowest rating amongst the three rating agencies (Moody's, Standard & Poor's and Fitch) for each instrument. The Group also segregates the country of issuance of these debt securities between Emerging and Advanced Economies based on the International data sources studies. The Group then conducts a correlation analysis per rating grade for each of the considered group of Advanced Economies and Emerging Economies. The resulting PDs are PiT and forward looking. The Group then generated scenarios at the PD level.

External Rating Grade	Credit Quality Description
AA+, AA, AA-	High
A+, A, A-	High
BBB+, BBB, BBB-	Standard
BB+, BB, BB-	Standard
B+, B, B-	Weak
CCC+, CCC, CCC-	Weak
CC, C, D	Credit-impaired

45 CREDIT RISK (continued)

45.4 Credit quality (continued)

Debt securities (continued)

The credit quality descriptions can be summarised as follows:

- *High*: there is a very high likelihood that the asset will be recovered in full. Counterparties in this category demonstrate a strong ability and willingness to fulfill their obligations on due time.
- *Standard*: there is a high likelihood that the asset will be recovered in full. The lower end of this category includes borrowers in their early stages of delinquency, suggesting a potential reduction in their ability to repay their obligations.
- *Weak*: there is a concern on the obligor's ability to make payments when due. However, this has not materialised yet in an event of default. Under this category, a borrower, who is now under a close monitoring and follow-up process, continues to repay his dues, albeit with some delays. Under this category, there is increasing likelihood of loss.

Commercial loans

In accordance to the Group's policy, default is defined when the borrower is 90 days' past due, along with other qualitative indicators on a case-by-case basis. The default definition is reflected in the collection of the default rates on a yearly basis, to be used in the calibration stage of the PD calculation.

Consumer loans

For the purpose of the loss rate calculation, the Group segregates its Consumer loans portfolio by product and displays the portfolio breakdown by DPD bucket. The Group adopts this approach for its Consumer facilities for all stages. The Group then analyzes monthly net flow rates whereby the loss rate for each delinquency bucket is computed by considering the flow into the designated loss bucket at which write-off is assumed to occur. Forward looking loss rate is then projected through analysis of correlation with macro-economic factors and regressed under lower, base and upper scenarios. The table below shows the credit quality of the Group's financial assets based on stage classification. The amounts presented are gross of impairment allowances.

The table below shows the credit quality of the Group's financial instruments and balances due from banks and financial institutions as per external ratings as at 31 December:

	<i>Sovereign and Central Banks</i>					
	<i>AAA to AA- LL million</i>	<i>A+ to BBB- LL million</i>	<i>BB+ to B- LL million</i>	<i>Below B- LL million</i>	<i>Unrated LL million</i>	<i>Total LL million</i>
Balances with central banks	52,020,250	2,578,524	6,351,123	-	1,071,141,158	1,132,091,055
Financial assets at fair value through profit or loss	1,064,157	-	-	-	16,106	1,080,263
Financial assets at amortised cost	1,201,550	12,255,024	29,402,082	-	34,514,652	77,373,308
	<u>54,285,957</u>	<u>14,833,548</u>	<u>35,753,205</u>	<u>-</u>	<u>1,105,671,916</u>	<u>1,210,544,626</u>
	<i>Non-sovereign</i>					
	<i>AAA to AA- LL million</i>	<i>A+ to BBB- LL million</i>	<i>BB+ to B- LL million</i>	<i>Below B- LL million</i>	<i>Unrated LL million</i>	<i>Total LL million</i>
Due from banks and financial institutions	57,674,103	85,534,975	3,976,434	153,345	3,575,474	150,914,331
Due from sisters	414,951	5,090	527,377	86,914	7,697,464	8,731,796
Financial assets at fair value through profit or loss	149,069	33,202,238	-	-	-	33,351,307
Financial assets at amortised cost	-	38,290,953	-	-	1,920,600	40,211,553
Financial assets at fair value through other comprehensive income	339,694	-	-	-	-	339,694
	<u>58,577,817</u>	<u>157,033,256</u>	<u>4,503,811</u>	<u>240,259</u>	<u>13,193,538</u>	<u>233,548,681</u>

45 CREDIT RISK (continued)

45.4 Credit quality (continued)

	<i>Sovereign and Central Banks</i>					<i>Total LL million</i>
	<i>AAA to AA- LL million</i>	<i>A+ to BBB- LL million</i>	<i>BB+ to B- LL million</i>	<i>Below B- LL million</i>	<i>Unrated LL million</i>	
Balances with central banks	66,188,677	1,771,209	9,645,365	-	1,141,245,695	1,218,850,946
Financial assets at fair value through profit or loss	885,379	-	-	-	7,892	893,271
Financial assets at amortised cost	1,130,735	99,017	29,826,921	-	34,651,269	65,707,942
	<u>68,204,791</u>	<u>1,870,226</u>	<u>39,472,286</u>	<u>-</u>	<u>1,175,904,856</u>	<u>1,285,452,159</u>
	<i>Non-sovereign</i>					<i>Total LL million</i>
	<i>AAA to AA- LL million</i>	<i>A+ to BBB- LL million</i>	<i>BB+ to B- LL million</i>	<i>Below B- LL million</i>	<i>Unrated LL million</i>	
Due from banks and financial institutions	47,222,807	73,339,591	1,569,620	145,561	711,183	122,988,762
Financial assets at fair value through profit or loss	396,312	22,922,912	8,715	-	1,491	23,329,430
Financial assets at amortised cost	832,858	35,759,266	182,277	-	1,916,702	38,691,103
	<u>48,451,977</u>	<u>132,021,769</u>	<u>1,760,612</u>	<u>145,561</u>	<u>2,629,376</u>	<u>185,009,295</u>

The table below shows the credit quality of the Group's loans and advances to customers based on stage classification as at 31 December:

	<i>2025</i>			
	<i>Stage 1 LL million</i>	<i>Stage 2 LL million</i>	<i>Stage 3 LL million</i>	<i>Total LL million</i>
Financial assets				
Loans and advances to customers at amortized cost	88,275,973	8,271,772	28,160,395	124,708,140
<i>Commercial loans</i>	<i>72,112,607</i>	<i>6,311,597</i>	<i>21,945,541</i>	<i>100,369,745</i>
<i>Consumer loans</i>	<i>16,163,366</i>	<i>1,960,175</i>	<i>6,214,854</i>	<i>24,338,395</i>
Loans and advances to related parties at amortized cost	555,931	-	-	555,931
	<i>2024</i>			
	<i>Stage 1 LL million</i>	<i>Stage 2 LL million</i>	<i>Stage 3 LL million</i>	<i>Total LL million</i>
Financial assets				
Loans and advances to customers at amortized cost	78,224,159	6,399,761	28,626,527	113,250,447
<i>Commercial loans</i>	<i>64,307,834</i>	<i>3,278,598</i>	<i>21,689,543</i>	<i>89,275,975</i>
<i>Consumer loans</i>	<i>13,916,325</i>	<i>3,121,163</i>	<i>6,936,984</i>	<i>23,974,472</i>
Loans and advances to related parties at amortized cost	298,481	-	-	298,481

45 CREDIT RISK (continued)

45.4 Credit quality (continued)

45.5 Maximum exposure to credit risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

	2025							Net credit exposure LL million	Associated ECL LL million
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other			
	LL million	LL million	LL million	LL million	LL million	LL million	LL million		
Balances with central banks	1,132,091,055	-	-	-	-	-	1,132,091,055	82,937,180	
Due from banks and financial institutions	150,914,331	-	-	-	-	-	150,914,331	388,118	
Derivative financial instruments	118,251	-	-	-	-	-	118,251	-	
Financial assets at fair value through profit or loss	34,431,570	-	-	-	-	-	34,431,570	-	
Net loans and advances to customers at amortized cost:	97,154,759	16,661,867	1,208,059	1,079,383	33,530,712	14,280,868	30,393,870	27,553,381	
Commercial loans	79,279,347	16,661,867	1,208,059	1,079,383	32,284,149	10,472,954	17,572,935	21,090,398	
Consumer loans	17,875,412	-	-	-	1,246,563	3,807,914	12,820,935	6,462,983	
Net loans and advances to related parties at amortized cost	555,807	296,783	-	-	22,802	-	236,222	124	
Debtors by acceptances	561,609	-	-	-	-	-	561,609	673	
Financial assets at fair value through other comprehensive income	766,926	-	-	-	-	-	766,926	-	
Financial assets at amortized cost	117,584,861	-	-	-	-	-	117,584,861	2,131,535	
	<u>1,534,179,169</u>	<u>16,958,650</u>	<u>1,208,059</u>	<u>1,079,383</u>	<u>33,553,514</u>	<u>14,280,868</u>	<u>1,467,098,695</u>	<u>113,011,011</u>	

	2024							Net credit exposure LL million	Associated ECL LL million
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other			
	LL million	LL million	LL million	LL million	LL million	LL million	LL million		
Balances with central banks	1,218,850,946	-	-	-	-	-	1,218,850,946	105,303,721	
Due from banks and financial institutions	122,988,762	-	-	-	-	-	122,988,762	264,827	
Derivative financial instruments	93,587	-	-	-	-	-	93,587	-	
Financial assets at fair value through profit or loss	24,222,701	-	-	-	-	-	24,222,701	-	
Net loans and advances to customers at amortized cost:	85,460,151	15,401,579	906,189	414,545	34,376,624	8,066,945	26,294,269	27,790,296	
Commercial loans	68,819,886	15,401,579	906,189	414,545	32,642,459	5,756,436	13,698,678	20,456,089	
Consumer loans	16,640,265	-	-	-	1,734,165	2,310,509	12,595,591	7,334,207	
Net loans and advances to related parties at amortized cost	298,469	16,034	-	-	24,947	-	257,488	12	
Debtors by acceptances	517,443	-	-	-	-	-	517,443	815	
Financial assets at fair value through other comprehensive income	838,357	-	-	-	-	-	838,357	-	
Financial assets at amortized cost	104,399,045	-	-	-	-	-	104,399,045	2,322,778	
	<u>1,557,669,461</u>	<u>15,417,613</u>	<u>906,189</u>	<u>414,545</u>	<u>34,401,571</u>	<u>8,066,945</u>	<u>1,498,462,598</u>	<u>135,682,449</u>	

The schedules shown above exclude the undrawn commitments to lend of LL 9,467,974 million for the year ended 31 December 2025 (2024: LL 8,604,508 million).

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral on a regular basis and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The main types of collateral obtained are as follows:

- *Securities*: the balances shown represent the fair value of the securities.
- *Letters of credit / guarantees*: The Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.
- *Real estate (commercial and residential)*: The Group holds in some cases a first degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.

In addition, the Group also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees for loans to companies owned by individuals assignments of proceeds over financed projects and assignments of insurance proceeds and revenues, which are not reflected in the above table.

46 MARKET RISK

Market risk is defined as the potential loss in both on balance sheet and off-balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates and equity prices.

Bank Risk Management is responsible for generating internal reports quantifying the Group's earnings at risk due to extreme movements in interest rates, while daily monitoring the sensitivity of the Group's trading portfolio of fixed income securities to changes in market prices and / or market parameters. The Group's Asset and Liability Management (ALM) policy assigns authority for its formulation, revision and administration to the Asset / Liability Committee (ALCO) of BLOM Bank SAL. Bank Risk Management is responsible for monitoring compliance with all limits set in the ALM Policy ranging from core foreign currency liquidity to liquidity mismatch limits to interest sensitivity gap limits. The Group has an Asset and Liability Management system "Focus ALM" that automates the risk measurement of the Group's assets and liabilities including stress testing and extensive scenario analysis.

A. CURRENCY RISK

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices, fluctuations in interest rates, and exchange rate volatility in general. The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Lira. Most of these financial assets and liabilities are in US Dollars, Euros , Jordanian Dinar and Qatari Riyal.

As disclosed in note 1 to the consolidated financial statements, the Group's assets and liabilities in foreign currencies are valued at the official published exchange rate which does not always represent a reasonable estimate of expected cash flows in Lebanese Liras that would have to be generated/used from the realisation of such assets or the payment of such liabilities.

The following tables present the breakdown of assets and liabilities by currency as of 31 December.

	<i>2025</i>		
	<i>LL million</i>	<i>Total foreign currencies LL million</i>	<i>Total LL million</i>
ASSETS			
Cash and balances with central banks	13,304,575	1,131,085,151	1,144,389,726
Due from banks and financial institutions	194,984	150,719,347	150,914,331
Derivative financial instruments	4,223	114,028	118,251
Financial assets at fair value through profit or loss	117,891	55,374,796	55,492,687
Net loans and advances to customers at amortized cost	381,226	96,773,533	97,154,759
Net loans and advances to related parties at amortized cost	35	555,772	555,807
Debtors by acceptances	-	561,609	561,609
Financial assets at amortized cost	446,445	117,138,416	117,584,861
Financial assets at fair value through other comprehensive income	-	766,926	766,926
Property and equipment and right-of-use assets	25,890,085	9,730,558	35,620,643
Intangible assets	71,439	165,284	236,723
Assets taken in recovery of debt	72,106	6,478,553	6,550,659
Other assets	1,494,694	5,112,847	6,607,541
Goodwill	1,065	2,068	3,133
TOTAL ASSETS	41,978,768	1,574,578,888	1,616,557,656
LIABILITIES			
Due to central banks	474,806	4,990,479	5,465,285
Due to banks and financial institutions	3,651	8,841,533	8,845,184
Derivative financial instruments	5,080	121,610	126,690
Customers' deposits at amortized cost	12,075,557	1,427,514,627	1,439,590,184
Deposits from related parties at amortized cost	4,177	1,833,563	1,837,740
Engagements by acceptances	-	562,282	562,282
Other liabilities	9,648,620	17,484,000	27,132,620
Provisions for risks and charges	4,718,113	2,216,014	6,934,127
TOTAL LIABILITIES	26,930,004	1,463,564,108	1,490,494,112
NET EXPOSURE	15,048,764	111,014,780	126,063,544

BLOM Bank SAL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

46 MARKET RISK (continued)

A. CURRENCY RISK (continued)

	<i>2024 - restated</i>		
	<i>LL</i> <i>LL million</i>	<i>Total foreign currencies</i> <i>LL million</i>	<i>Total</i> <i>LL million</i>
ASSETS			
Cash and balances with central banks	10,074,110	1,220,348,696	1,230,422,806
Due from banks and financial institutions	92,853	122,895,909	122,988,762
Derivative financial instruments	2,151	91,436	93,587
Financial assets at fair value through profit or loss	19,423	46,517,562	46,536,985
Net loans and advances to customers at amortized cost	134,906	85,325,245	85,460,151
Net loans and advances to related parties at amortized cost	32	298,437	298,469
Debtors by acceptances	-	517,443	517,443
Financial assets at amortized cost	630,849	103,768,196	104,399,045
Financial assets at fair value through other comprehensive income	-	838,357	838,357
Property and equipment and right-of-use assets	25,888,551	9,310,437	35,198,988
Intangible assets	110,942	118,306	229,248
Assets taken in recovery of debt	1,893,973	4,500,632	6,394,605
Other assets	1,345,411	5,012,789	6,358,200
Goodwill	1,065	2,068	3,133
TOTAL ASSETS	40,194,266	1,599,545,513	1,639,739,779
LIABILITIES			
Due to central banks	690,703	4,645,362	5,336,065
Due to banks and financial institutions	22,247	9,979,804	10,002,051
Derivative financial instruments	4,433	68,754	73,187
Customers' deposits at amortized cost	9,159,340	1,423,332,220	1,432,491,560
Deposits from related parties at amortized cost	7,555	2,230,922	2,238,477
Engagements by acceptances	-	518,258	518,258
Other liabilities	10,802,340	21,549,460	32,351,800
Provisions for risks and charges	14,920,919	1,492,516	16,413,435
TOTAL LIABILITIES	35,607,537	1,463,817,296	1,499,424,833
NET EXPOSURE	4,586,729	135,728,217	140,314,946

The Group's exposure to currency risk

Assets and liabilities in foreign currencies presented in the tables above include onshore assets and liabilities in foreign currencies, that are subject to defacto capital controls in Lebanon, which is further explained in note 1 to the consolidated financial statements. These are held by entities operating in Lebanon and management expects that they will be realized / settled without recourse to foreign currency cash and/ or foreign bank accounts outside Lebanon ("fresh funds"). Hence these cannot be perceived to have an economic value equivalent to that of offshore foreign currency assets and liabilities and should be viewed and managed separately. The tables below detail onshore assets and liabilities in foreign currencies:

	<i>Total foreign currency</i>	
	<i>2025</i> <i>LL Million</i>	<i>2024</i> <i>LL Million</i>
Assets		
Cash and balances with central banks	1,069,091,881	1,132,300,969
Due from banks and financial institutions	1,164,680	21,788
Financial assets at fair value through profit or loss	8,188,001	11,670,683
Net loans and advances to customers at amortized cost	756,067	2,763,232
Net loans and advances to related parties at amortized cost	7,712	33
Financial assets at amortized cost	34,702,762	34,651,799
Other assets	341,446	268,914
Total assets	1,114,252,549	1,181,677,418
Liabilities		
Due to central banks	954,549	1,312,158
Due to banks and financial institutions	792,004	700,394
Customers' deposits at amortized cost	1,113,550,651	1,144,121,890
Other liabilities	11,333,773	64,148
Provisions for risks and charges	57,672	131,546
Total liabilities	1,126,688,649	1,146,330,136

46 MARKET RISK (continued)

B. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of the financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities that mature or are re-priced in a given period. The Group manages the risk by matching the re-pricing of assets and liabilities through risk management strategies. Positions are monitored on a daily basis by management.

The table below shows the sensitivity of interest income to 1% parallel changes in interest rates, all other variables being held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates.

The change in interest income is calculated over a 1-year period. The impact also incorporates the fact that some monetary items do not immediately respond to changes in interest rates and are not passed through in full, reflecting sticky interest rate behaviour. The pass-through rate and lag in response time are estimated based on historical statistical analysis and are reflected in the outcome.

The sensitivity of equity was calculated for a decrease in basis points whereby a similar decrease has an equal and offsetting effect on net interest income.

	Decrease in Basis Points	Sensitivity of Net Interest Income	
		2025 LL million	2024 LL million
Lebanese Lira	(100)	36,572	39,518
United States Dollar	(100)	3,106,350	2,629,431
Euro	(100)	406,866	339,161

Interest sensitivity gap

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates, particularly with regard to the maturity of customer demand deposits.

	2025							
	Up to 1 month LL million	1 to 3 months LL million	3 months to 1 year LL million	(1 - 2) years LL million	(2 - 5) years LL million	More than 5 years LL million	Non-interest sensitive LL million	Total LL million
ASSETS								
Cash and balances with central banks	160,445,169	5,754,850	90	56,115,049	490,587,793	87,619,968	343,866,807	1,144,389,726
Due from banks and financial institutions	91,213,485	29,620,739	7,622,595	2,211	-	-	22,455,301	150,914,331
Derivative financial instruments	-	-	-	-	-	-	118,251	118,251
Financial assets at fair value through profit or loss	433,887	177,587	2,934,058	4,020,497	9,425,788	17,072,355	21,428,515	55,492,687
Net loans and advances to customers at amortized cost	35,717,001	31,046,789	4,536,042	7,880,445	8,893,060	9,018,662	62,760	97,154,759
Net loans and advances to related parties at amortized cost	418,450	-	-	-	-	136,504	853	555,807
Debtors by acceptances	-	-	-	-	-	-	561,609	561,609
Financial assets at amortized cost	3,147,519	14,539,338	7,050,912	5,995,188	70,377,780	15,728,245	745,879	117,584,861
Financial assets at fair value through other comprehensive income	-	-	-	339,694	-	-	427,232	766,926
Total assets	291,375,511	81,139,303	22,143,697	74,353,084	579,284,421	129,575,734	389,667,207	1,567,538,957
LIABILITIES								
Due to central banks	833	2,018,144	800,522	627,908	931,536	140,110	946,232	5,465,285
Due to banks and financial institutions	4,970,619	1,262,342	-	-	-	-	2,612,223	8,845,184
Derivative financial instruments	-	-	-	-	-	-	126,690	126,690
Customers' deposits at amortized cost	110,789,960	31,266,939	23,718,059	3,265,226	2,793	-	1,270,547,207	1,439,590,184
Deposits from related parties at amortized cost	1,735,605	14,284	8,474	-	-	-	79,377	1,837,740
Engagements by acceptances	-	-	-	-	-	-	562,282	562,282
Total liabilities	117,497,017	34,561,709	24,527,055	3,893,134	934,329	140,110	1,274,874,011	1,456,427,365
Total interest rate sensitivity gap	173,878,494	46,577,594	(2,383,358)	70,459,950	578,350,092	129,435,624	(885,206,804)	111,111,592
	2024							
	Up to 1 month LL million	1 to 3 months LL million	3 months to 1 year LL million	(1 - 2) years LL million	(2 - 5) years LL million	More than 5 years LL million	Non-interest sensitive LL million	Total LL million
ASSETS								
Cash and balances with central banks	42,562,259	207,268,528	12,112,519	8,338,572	434,933,343	179,747,102	345,460,483	1,230,422,806
Due from banks and financial institutions	45,714,354	35,518,313	20,283,885	920,239	-	-	20,551,971	122,988,762
Derivative financial instruments	-	-	-	-	-	-	93,587	93,587
Financial assets at fair value through profit or loss	1,062,143	2,005,360	2,043,385	4,450,169	8,845,705	5,525,255	22,604,968	46,536,985
Net loans and advances to customers at amortized cost	23,743,893	29,918,503	6,271,087	7,340,880	8,039,826	9,175,819	970,143	85,460,151
Net loans and advances to related parties at amortized cost	271,044	-	-	-	8,145	19,280	-	298,469
Debtors by acceptances	-	-	-	-	-	-	517,443	517,443
Financial assets at amortized cost	2,127,060	2,424,748	3,763,599	10,916,569	63,530,080	21,038,961	598,028	104,399,045
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	838,357	838,357
Total assets	115,480,753	277,135,452	44,474,475	31,966,429	515,357,099	215,506,417	391,634,980	1,591,555,605
LIABILITIES								
Due to central banks	54,562	2,368,981	835,129	71,779	513,818	224,846	1,266,950	5,336,065
Due to banks and financial institutions	2,194,958	2,387,523	-	-	-	-	5,419,570	10,002,051
Derivative financial instruments	-	-	-	-	-	-	73,187	73,187
Customers' deposits at amortized cost	128,653,258	30,024,072	24,355,617	1,899	-	-	1,249,456,714	1,432,491,560
Deposits from related parties at amortized cost	2,079,870	5,701	76,010	-	-	-	76,896	2,238,477
Engagements by acceptances	-	-	-	-	-	-	518,258	518,258
Total liabilities	132,982,648	34,786,277	25,266,756	73,678	513,818	224,846	1,256,811,575	1,450,659,598
Total interest rate sensitivity gap	(17,501,895)	242,349,175	19,207,719	31,892,751	514,843,281	215,281,571	(865,176,595)	140,896,007

46 MARKET RISK (continued)

C. EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as the result of a change in stock prices. Equity price risk exposure arises from equity securities classified at fair value through profit or loss. A 5 percent increase in the value of the Group's equities at 31 December 2025 would have increased net income by LL 517,935 million (2024: LL 618,048 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

D. PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected. This is applicable for example on fixed rate loans when market interest rates fall.

In Lebanon and following the severe devaluation of the local currency in the parallel market and prevalence of multiple exchange rates, prepayment activities in the lending portfolio accelerated at the onset of the Lebanese crisis. However, in view of the quasi-absence of any local interest rate benchmarks due to the crisis and given that the Bank in Lebanon prioritised the implementation of a de-risking strategy for loan exposures granted pre-October 2019, the Group considers the impact of prepayment risk resulting from these transactions to be negligible.

For new lending in international dollars in Lebanon and lending activities conducted by the Group's subsidiaries, market risks that could lead to prepayments are regarded as immaterial. Accordingly, the Group considers the impact of prepayment risk on net profits to be insignificant after considering any penalty fees received on prepayment activities, when existing.

47 LIQUIDITY RISK

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The Group manages liquidity at each entity level independently while keeping oversight of intra-group dependencies, when existing. The Group recognizes that its ability to meet its liquidity requirements, including international commitments, may come under increasing pressure under a deteriorating operating environment.

Following October 2019 events, the Bank's international liquidity in Lebanon was subject to an unprecedented pressure, which led Management to implement a series of remedial measures to mitigate this risk.

The following outlines the monitoring process that takes place at the entity level including some activities that are more relevant to the Lebanese operations.

Monitoring process

Daily

Due to the ongoing economic and financial crisis in Lebanon, it is more important to monitor cash flows and highly liquid assets rather than the supervisory liquidity ratios, because those will ensure the uninterrupted operation of the Group's activities. On a daily basis, a report of highly liquid assets is prepared showing the change in the position compared to the previous day, and submits it to the members of the ALCO. Also, Group Treasury monitors daily the inflows and outflows in the main currencies used by the Group.

Weekly

A weekly report is prepared showing the expected outflows for the current quarter as well as of highly liquid assets held during the reported periods. This report is submitted to the Central Bank of Lebanon.

47 LIQUIDITY RISK (continued)

Monitoring process (continued)

Monthly

The Group Market Risk Management prepares tables indicating compliance with internal and regulatory liquidity ratios, for the Group and submits them to the ALCO.

Quarterly

The Board of Directors is informed of compliance with internal and regulatory liquidity ratios for each banking unit and for the Group on at least a quarterly basis.

Periodic

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crisis. The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments, to provide a complete picture of potential cash outflows.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group funding crisis contingency plan, which sets out a response in the event of liquidity difficulties.

The plan sets out a series of possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, are reviewed by ALCO. The latter submits the updated policy with its recommendations to the Board Risk Committee for approval.

As per applicable regulations, the Group must retain obligatory reserves with the central banks where the Group entities operate.

Liquidity ratios

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The ratio of FC liquid assets to FC total deposits and other liabilities falling due in the next month is prepared monthly by GMRM and monitored by ALCO. FC liquid assets are defined as FC bonds and placements with banks maturing within thirty days.

Since the onset of the Lebanese crisis, the Central Bank of Lebanon has introduced various requirements. Among these measures, Lebanese banks are required to maintain international liquidity in the form of banknotes, current account balances with foreign correspondent banks (free of any obligation) and investment-grade international bonds in excess of 100% of external account deposits and other international commitments (including issued letter of credits and letter of guarantees in international dollars). Additionally, Lebanese banks should maintain a minimum net free liquidity balance (after covering external accounts and international commitments previously mentioned), in addition to the fair value of Lebanese Eurobonds holding in excess of 3% of their total foreign-currency deposits (excluding external accounts) as at 30 June 2025. Banks whose situation is incompatible with the provisions of the paragraph above are granted a time-limit ending on 30 June 2026 to adjust their situation accordingly.

Sources of funding

Customer deposits were the main funding source of the Group as at 31 December 2025 and 2024. The distribution of sources and the maturity of deposits are actively monitored in order to avoid concentration of funding maturing at any point in time or from a large number of depositors. The Group monitors the percentage of time deposits that are renewed every quarter and aims to ensure that this percentage is maintained at high levels.

The Group stresses the importance of customers' deposits as sources of funds to finance its lending activities. This is monitored by using the advances to deposit ratio, which compares loans and advances to customers as a percentage of clients' deposits.

47 LIQUIDITY RISK (continued)

Analysis of financial assets and liabilities by remaining contractual maturities (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	2025					Total LL million
	On demand LL million	Less than 3 months LL million	3 to 12 months LL million	1 to 5 years LL million	Over 5 years LL million	
Financial guarantees	9,559,973	-	-	-	-	9,559,973
Documentary credits	-	1,611,149	-	-	-	1,611,149
Loan commitments	-	9,467,974	-	-	-	9,467,974
Other commitments	-	7,409,032	-	484,636	-	7,893,668
Total	9,559,973	18,488,155	-	484,636	-	28,532,764

	2024					Total LL million
	On demand LL million	Less than 3 months LL million	3 to 12 months LL million	1 to 5 years LL million	Over 5 years LL million	
Financial guarantees	11,989,375	-	-	-	-	11,989,375
Documentary credits	-	987,066	-	-	-	987,066
Loan commitments	-	8,604,508	-	-	-	8,604,508
Other commitments	-	3,682,843	-	484,636	73,491	4,240,970
Total	11,989,375	13,274,417	-	484,636	73,491	25,821,919

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

The maturity profile of the Group's assets and liabilities as at 31 December is as follows:

	2025		Total LL million
	Less than one year LL million	More than one year LL million	
ASSETS			
Cash and balances with central banks	511,377,596	633,012,130	1,144,389,726
Due from banks and financial institutions	150,012,418	901,913	150,914,331
Derivative financial instruments	118,251	-	118,251
Financial assets at fair value through profit or loss	15,795,605	39,697,082	55,492,687
Net loans and advances to customers at amortized cost	44,276,202	52,878,557	97,154,759
Net loans and advances to related parties at amortized cost	363,476	192,331	555,807
Debtors by acceptances	561,609	-	561,609
Financial assets at amortized cost	25,200,213	92,384,648	117,584,861
Financial assets at fair value through other comprehensive income	249	766,677	766,926
Property, equipment and right-of-use assets	-	35,620,643	35,620,643
Intangible assets	-	236,723	236,723
Assets obtained in settlement of debt	-	6,550,659	6,550,659
Other assets	6,339,811	267,730	6,607,541
Goodwill	-	3,133	3,133
TOTAL ASSETS	754,045,430	862,512,226	1,616,557,656
LIABILITIES			
Due to central banks	2,890,851	2,574,434	5,465,285
Due to banks and financial institutions	8,845,184	-	8,845,184
Derivative financial instruments	126,690	-	126,690
Customers' deposits at amortized cost	1,434,162,767	5,427,417	1,439,590,184
Deposits from related parties at amortized cost	1,837,740	-	1,837,740
Engagements by acceptances	562,282	-	562,282
Other liabilities	22,707,142	4,425,478	27,132,620
Provisions for risks and charges	2,942,217	3,991,910	6,934,127
TOTAL LIABILITIES	1,474,074,873	16,419,239	1,490,494,112
NET	(720,029,443)	846,092,987	126,063,544

47 LIQUIDITY RISK (continued)

Maturity analysis of assets and liabilities (continued)

	2024 - restated		Total LL million
	Less than one year LL million	More than one year LL million	
ASSETS			
Cash and balances with central banks	624,566,000	605,856,806	1,230,422,806
Due from banks and financial institutions	122,064,736	924,026	122,988,762
Derivative financial instruments	93,587	-	93,587
Financial assets at fair value through profit or loss	15,587,826	30,949,159	46,536,985
Net loans and advances to customers at amortized cost	36,676,673	48,783,478	85,460,151
Net loans and advances to related parties at amortized cost	92,626	205,843	298,469
Debtors by acceptances	517,443	-	517,443
Financial assets at amortized cost	7,553,340	96,845,705	104,399,045
Financial assets at fair value through other comprehensive income	-	838,357	838,357
Property, equipment and right-of-use assets	-	35,198,988	35,198,988
Intangible assets	-	229,248	229,248
Assets obtained in settlement of debt	-	6,394,605	6,394,605
Other assets	6,126,623	231,577	6,358,200
Goodwill	-	3,133	3,133
TOTAL ASSETS	813,278,854	826,460,925	1,639,739,779
LIABILITIES			
Due to central banks	3,336,315	1,999,750	5,336,065
Due to banks and financial institutions	8,713,115	1,288,936	10,002,051
Derivative financial instruments	73,187	-	73,187
Customers' deposits at amortized cost	1,431,821,640	669,920	1,432,491,560
Deposits from related parties at amortized cost	2,238,477	-	2,238,477
Engagements by acceptances	518,258	-	518,258
Other liabilities	25,620,531	6,731,269	32,351,800
Provisions for risks and charges	12,958,544	3,454,891	16,413,435
TOTAL LIABILITIES	1,485,280,067	14,144,766	1,499,424,833
NET	(672,001,213)	812,316,159	140,314,946

48 OPERATIONAL RISK

Operational risk is defined as the risk of loss or damage resulting from inadequate or failed internal processes, people, systems or external events. The Basel definition of operational risk includes legal risk, and excludes reputational and strategic risks. Still, the failure of operational risk controls may result in reputational damage, business disruptions, business loss, or non-compliance with laws and regulations that can lead to significant financial losses. Therefore, reputational and strategic risks are indirectly mitigated once the operational risks acting as their key drivers are well managed.

The operational risk management framework is implemented by an independent Operational Risk Management department within the Group Risk Management Division that operates in coordination with other support functions such as: Corporate Information Security and Compliance. The Internal Audit provides an independent assurance on the adequacy and effectiveness of this framework through periodic reviews.

Operational risks are managed across the Group based on a set of principles and standards detailed in the Board-approved operational risk management framework. These principles and standards include at a minimum: segregation of duties, four-eye principle, and independency of employees performing controls, reconciliations, and awareness. Controls are also embedded within systems and formalized in policies and procedures.

Incidents are captured and analyzed to identify their root causes. Corrective and preventive measures are recommended to prevent future reoccurrences. Risk and Control Assessments (RCAs) are conducted on an ongoing basis to identify risks and control vulnerabilities associated to existing or new operations, products, processes, activities and systems. Key Risk Indicators are also developed continuously to detect alarming trends. Recommendations to improve the control environment are communicated to concerned parties and escalated to Management as deemed necessary.

Following October 2019 events, the Bank has been subject to an increased compliance risk pressure as a result of the considerable number of regulatory circulars and memos issued since that date (more than 100 BdL circulars and announcements, BCC memos, and CMA announcements were published during 2023 and 2024). These regulatory requirements, in addition to changes in the operating environment, have necessitated rapid system developments/updates and implementation of new processes, which also required adequate training to employees.

Major incidents, RCA findings and operational losses are reported to the Board of Directors and Board Risk Committees periodically as per the governance framework set in the Group Operational Risk policy.

Insurance coverage is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume and nature.

49 LITIGATION RISK

At year-end, the Group had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad in addition to civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY) against eleven Lebanese banks including BLOM BANK SAL asserting primary and secondary liability claims under the “Justice Against Sponsors of Terrorism Act (JASTA)” and the “Anti-Terrorism Act (ATA) which allow U.S. citizens to seek compensation from individuals or entities that provide material support to terrorist organizations even if the alleged acts occurred outside the United States. The lawsuit is currently in the discovery phase after courts denied the banks’ motions to dismiss. In September 2025, the Joint Defense Group filed a new motion for judgement on the pleadings and court didn’t issue its decision until this moment.

The restrictive measures adopted by Lebanese banks since the onset of the financial crisis, particularly with respect to withdrawals and transfers abroad, have exposed the banking sector, including the Bank, to increased litigation in Lebanon and in certain foreign jurisdictions. While litigation is inherent to the banking business and the Bank has established procedures to manage such matters, claims arising from these exceptional circumstances largely stem from factors beyond the Group’s control.

Litigations related to the crisis are addressed on a case-by-case basis, with Management closely monitoring their potential impact. In this context, the Group continues to emphasize the need for a comprehensive legislative framework capable of addressing the unconventional legal disputes arising from the current exceptional circumstances affecting the Lebanese banking sector.

During the recent period, the number of new cases filed against the Group has declined. Several rulings have been issued in favor of the Group in addition the Group has solved amicably several cases, while certain foreign courts have declined jurisdiction over claims involving cross-border matters.

There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices. Management considers that they may affect to a certain extent negatively the liquidity of the Group (refer to Note 41). The amount cannot be determined presently. At the balance sheet date, shares of certain local and foreign subsidiaries were placed under seizure, by court orders in relation to litigations raised by customers for the transfer of funds abroad.

Complaints have also been filed by groups of individuals against “Lebanese banks” and the chairmen of their board of directors for alleged committed crimes of tort and fraudulent bankruptcy, money laundering, fraud and breach of trust, which resulted in different legal decisions and actions on several banks. With respect to BLOM Bank SAL, the Bank was the target of restraining orders preventing it from disposing of its assets in addition to accusations of violation of the banking secrecy law. On 27/7/2023 the Public Prosecutor of Appeal in Mount Lebanon granted a motion to dismiss the case against BLOM unlike other banks for absence of criminal offense on the bases of non- violation non - preferential treatment in the transactions carried out by the Bank with its clients, as well as the non- violation of the directives and practices in force since the start of the crisis.

The said complaint, previously dismissed, was reinstated for further investigation, and now closed for the second time by the same judge, in view of the investigations and the findings of the expertise conducted at the request of the judge, in addition to all the documents presented by Blom Bank SAL.

Class-action lawsuit was filed by Lebanese depositors against certain Lebanese banks. The lawsuit is still at the initial stage and was just deposited for now to be approved as a class-action lawsuit in the US. The request is now different as they are not requesting cross-border transfer, but they are asking for damages resulting mainly for the violation of the Racketeer Influenced and Corrupt Organisations ACT (RICO ACT). On 29 April 2026, the Court has granted the Banks’ Motions to Dismiss for lack of personal jurisdiction. This comes in line with all previous decisions rendered by US court for lack of personal jurisdiction. The plaintiffs have noticed an appeal of the district court order

50 POLITICAL RISK

External factors which are beyond the control of the Group, such as political developments and government actions in Lebanon (note 1), may adversely affect the operations of the Group, its strategy and prospects. Other important political risk factors include government intervention on the Group's activities and social developments in the countries in which the Group operates, political developments in Lebanon, and political or social unrest or military conflict in neighbouring countries and/or other overseas areas. Given the above, the Group recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties which will result in significant impact on Group's activities, operating results and position.

51 CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon, which is the lead supervisor of the Group.

Central Bank of Lebanon Intermediate Circular 567, issued on 26 August 2020, Intermediate Circular 649, issued on 24 November 2022, Intermediate Circular 659, issued on 21 January 2023, Intermediate Circular 685, issued on 28 December 2023, Intermediate Circular 689 issued on 2 February 2024, Intermediate Circular 726 issued on 6 February 2025, Intermediate Circular 740 issued on 29 August 2025, Intermediate Circular 741 issued on 10 September 2025, Intermediate Circular 754 issued on 9 January 2026 and Intermediate Circular 760 issued on 4 May 2026 introduced several key changes to the calculation of regulatory capital adequacy ratios. These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% initially and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2025.

<i>Type of financial instrument</i>	<i>2025</i>	<i>2024</i>
Exposures to Central Bank of Lebanon in foreign currency	1.89%	1.89%
Exposures to Central Bank of Lebanon in Lebanese Lira	0%	0%
Lebanese government securities in foreign currency	75%	75%
Lebanese government securities in Lebanese Lira	0%	0%

- Requesting banks to increase their own funds (capital) by an amount equivalent to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments, as well as other approaches that meet the criteria for inclusion as regulatory capital. The deadline for raising capital was initially set at 31 December 2020 but was later extended for the banking sector to 28 February 2021. The Central Bank of Lebanon's Central Council may exceptionally approve a bank's completion of 50% of the 20% required capital increase through the transfer of real estate assets owned by the shareholders to the concerned bank. However, these real estate assets must be liquidated during a 5-year period following regulatory approval date on this transaction.
- Inclusion of gains from Foreign Currency Translation Adjustments in Common Equity Tier 1, effective from 2023 whereas regulation prior to amendments brought by Intermediate Circular 689 included only losses from Foreign Currency Translation Adjustments in Common Equity Tier 1 and 50% of gains in Tier 2 capital.
- Inclusion of 75% of cumulative change (if the net is a gain) in the fair value of financial instruments classified as FVTOCI in Common Equity Tier 1, or deduction of 100% of cumulative change if the net is a loss, instead of inclusion of 50% of the gain in Tier 2 and deduction of 100% of losses from Common Equity Tier 1, as was the case previously.
- Inclusion of 75% of revaluations gain of owned real estate properties under articles 153 and 154 of the Code of Money and Credit in Common Equity Tier 1 subject to Central Bank verification and completion by 31 December 2026. Revaluation must be in fresh USD and recorded in LBP at specified rates (LBP 1,507.5 to the US Dollar until 31 January 2023; LBP 15,000 to the US Dollar until 31 January 2024; LBP 89,500 to the US Dollar until 31 May 2025; and at the official platform rate from 1 June 2025 onward). The Bank sought BDL approval on 30 January 2026, and until June 2026 it still had not obtained it yet. If the revaluation gain was accounted for in the Capital, the CAR would have been 7.15% for end of 2025 and 7.85% for end of 2024.
- Exceptionally during 2020 and 2021, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by not less of 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024. Following issuance of BDL Intermediate Circular 689, 740 and 760, Banks were once again allowed to draw down completely the 2.5% capital conservation buffer in 2023, 2024, 2025, and 2026.

51 CAPITAL MANAGEMENT (continued)

- Prohibiting banks from distributing dividends if capital adequacy ratios drop below 7% for Common Equity Tier 1, 10% for Tier 1 and 12% for total capital (compared to the regulatory minimum limits of 7%, 8.5% and 10.5% respectively, including a 2.5% capital conservation buffer).
- Exceptionally for 2020 and 2021, allowing the Bank to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only Stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortized over a period of 3 years starting 2022 and ending in 2024 by 25% yearly.
- Exceptionally authorizing banks the inclusion in Tier 2 of provisions for expected credit losses on Stage 1 exposures and provisions for risk and charges, treated as General Provisions accepted in Tier 2, up to a limit of 1.25% of Credit Risk-Weighted assets.

The following table shows the applicable regulatory capital ratios:

	<i>Common Tier 1 Capital Ratio</i>	<i>Tier 1 Capital Ratio</i>	<i>Total Capital Ratio</i>
31 December 2025			
Minimum required capital ratios (waiver from capital conservation buffer)	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (waiver in 2025)	7.00%	8.50%	10.50%
31 December 2024			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (waiver in 2024)	7.00%	8.50%	10.50%
	2025	2024	
	LL million	LL million	
Risk weighted assets:			
Credit risk	1,397,172,982	1,425,681,962	
Market risk	119,268,264	135,550,261	
Operational risk	100,130,616	96,434,689	
Total risk weighted assets	1,616,571,862	1,657,666,912	

The regulatory capital including net income for the year as of 31 December is as follows:

	2025	2024
	LL million	LL million
Tier 1 capital	93,793,958	110,851,360
<i>Of which: common Tier 1</i>	93,793,497	110,850,956
Tier 2 capital	2,061,613	1,538,197
Total capital	95,855,571	112,389,557

The capital adequacy ratio including net income for the year as of 31 December is as follows:

	2025	2024
Capital adequacy – Common Tier 1	5.80%	6.69%
Capital adequacy – Tier 1	5.80%	6.69%
Capital adequacy – Total capital	5.93%	6.78%

51 CAPITAL MANAGEMENT (continued)

The capital adequacy ratios as at 31 December 2025 and 31 December 2024 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied on foreign currencies subject to defacto capital controls, Management is unable to estimate in a reasonable manner the impact of these matters on the Bank's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Bank and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded.

52 SUBSEQUENT EVENTS

Geopolitical tensions

Subsequent to the reporting date, geopolitical tensions in parts of the Middle East have increased. Starting February 2026, Lebanon experienced armed attacks that have escalated, causing widespread displacement and extensive damage to local establishments and infrastructure. This armed conflict, along with its spillover effects, has further strained Lebanon's already crisis-affected economy, negatively impacting business operations, as well as the income and revenues of both the private and public sectors and individuals. A temporary partial ceasefire was declared on 16 April 2026 and has since been extended beyond the initial timeframe.

These developments arose after the reporting period and have therefore been assessed as non-adjusting events in accordance with IAS 10 Events after the Reporting Period.

Accordingly, no adjustments have been made to the amounts recognised in the financial statements as at 31 December 2025, which reflect conditions existing at that date.

The Group has assessed the potential implications of these events on its operations, financial position and performance. Based on information currently available, including the continuation of core business activities, it is not practicable to reliably estimate the full financial effect of these non-adjusting events on future periods.

Planned absorption of Blominvest Bank SAL

On 19 December 2025, the Bank obtained preliminary approval from the Central Bank of Lebanon and resolved, through its General Assembly to absorb its Lebanese subsidiary, Blominvest Bank SAL, through the transfer of all its assets, liabilities, rights and obligations to the Bank. The transaction is expected to be completed during 2026, subject to final regulatory approvals and shareholders' resolutions. Upon completion, the subsidiary will be dissolved and removed from the list of licensed banks. Management has concluded that the transaction is not expected to have a significant impact on the Group's assets, liabilities, equity, and profit or loss.